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SECOND COMMITTEE
18th meeting
held on
Thursday, 22 October 1992
at 3 p.m.
New York

SUMMARY RECORD OF THE 18th MEETING

Chairman: Mr. PIRIZ BALLON (Uruguay)

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 78: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (continued) (A/47/80, A/47/82-S/23512, A/47/83, A/47/88-S/23563, A/47/225-S/23998, A/47/267, A/47/268, A/47/290-S/24204, A/47/305-E/1992/96, A/47/308-E/1992/97, A/47/344, A/47/351-S/24357, A/47/356-S/24367, A/47/361-S/24370, A/47/375, A/47/391, A/47/437)

Report of the Secretary-General on the implementation of General Assembly resolutions 42/186 and 42/187 (A/47/121-E/1992/15)

Report of the Governing Council of the United Nations Environment Programme on the work of its third special session (A/47/25, Supplement No. 25)

1. Mr. TOLBA (Executive Director of the United Nations Environment Programme (UNEP)), introducing the report of the Governing Council of UNEP, said that the Council had during its deliberations tackled three areas of direct relevance to the results of the United Nations Conference on Environment and Development (UNCED): (i) the problem of desertification; (ii) a review of initiatives to build sustainable development through implementation of the recommendations of the report of the World Commission on Environment and Development and the Environmental Perspective to the Year 2000 and Beyond; and (iii) the report of the Executive Director on the state of the environment (1972-1992).

2. The UNEP report on the status of desertification provided an objective analysis of implementation of the United Nations Plan of Action to Combat Desertification, adopted by the General Assembly in 1977, but showed that progress achieved so far had been dismal. If the current trend was not reversed, the threat of a dangerous collision between skyrocketing populations and shrinking productive lands would draw ever closer. The problem of desertification had been ignored for over a decade, perhaps because it was wrongly viewed as being of a regional nature, affecting mainly developing countries. In fact, desertification was a global problem which, apart from having adverse social effects, also, among other things, caused climate change and loss of biodiversity. The UNEP report, together with chapter XII of Agenda 21, constituted a realistic plan of action. A consensus had been reached at UNCED on the need to formulate a convention on combating desertification, which would serve as a legally binding framework for implementation of that plan, but it should be remembered that, in order to ensure results, sufficient financial resources must be made available.

3. Although the discussion of the second item addressed by the Governing Council prepared the ground for efforts undertaken at the Rio Conference to ensure that environmental considerations were built into all everyday decisions adopted under the rubric of "economic activity", that issue remained the most difficult policy challenge of the current generation. The time had come for specific measures to be taken, and the General Assembly had for that purpose an unprecedented mandate, endorsed not merely by Heads of State and

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(Mr. Tolba)

Government but also by millions of people who looked to the Earth Summit for ecological salvation. UNEP, for its part, would spearhead work related to environmental accounting and economics and strengthen scientific monitoring and assessment because it believed that, as environmental issues became more complex, decision-makers needed more accurate scientific data and early warnings of possible environmental damage.

4. The report on the state of the environment (1972-1992) was directly related to the pivotal role played by science in sustainable development. The conclusions of that report were deeply disturbing because, despite all the measures adopted since the United Nations Conference on the Human Environment, held at Stockholm in 1972, not one of the issues raised at that time had been solved. Moreover, further extremely serious global problems, such as that of ozone layer depletion, had emerged. Most scientists agreed that a process of climate change and global warming had begun which could lead, inter alia, to the inundation of low-lying coastal areas, altered rainfall patterns, more frequent and severe tropical storms, drought and the accelerated extinction of biological diversity. However, all such problems could be avoided if the world was prepared to unite its efforts and to share responsibilities.

5. Environmentally sound and sustainable development still hinged on three critical issues. Firstly, adequate additional resources were required. Various cost estimates had been carried out in connection with Agenda 21 and, although they needed further refinement, it was clear that costs far exceeded existing allocations and that even the richest countries were not in a position to pay additional costs. It might therefore be useful if the General Assembly were to consider establishing an intergovernmental committee of experts to study specific recommendations in three areas: (a) a shift in unsustainable subsidies which, if redirected to sustainable development programmes, could make an enormous difference; (b) meeting the development assistance target of 0.7 per cent of gross national product by the end of the decade; (c) the examination of new revenue-generating systems, such as carbon tax. The second critical factor for sustainable development was technology transfer. Industries which spent large sums on research and development activities should be fairly compensated for entering into technology transfer agreements that comprised not only hardware but also technologies relating to management, infrastructure, marketing analysis, etc. Thirdly, economists should tell the truth about the social costs of resource consumption, pollution damage and other ecological problems to ensure they were duly borne in mind in the adoption of economic decisions. That in itself was a top priority area of UNEP activities.

6. In light of the social and environmental changes of the last two decades, what was needed in order to improve the planet and to accelerate development was a prioritization of Agenda 21 and clarification of a precise mandate for the Commission on Sustainable Development, backed by the necessary financial resources.

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7. Ms. FREUDENSCHUSS-REICHL (Austria) said, with respect to the measures taken by her country to implement General Assembly resolutions 42/186 and 42/187, that it had started to design a national environment plan, in the form of a joint initiative by public and private bodies and various non-governmental organizations, which would address in particular such elements of Agenda 21 as had not yet been covered by the country's environmental policies. Also, the national UNCED commission, comprising all relevant organizations active in the field of environment and development as well as private-sector institutions, had undertaken responsibility for national preparations for the Conference and for follow-up on its results and related activities and continued to operate. Her country was endeavouring to bring its national laws into line with that of the European communities without reducing its high national standards. Currently, new legislation was being drawn up in the field of chemicals and environmental liability. Her Government intended to adopt new planning and management instruments, including economic measures in the fields of transportation and waste management, and a law on environmental impact assessment would soon enter into force. It also believed that a tax should be imposed on the use of all sources of energy and was taking part in international discussions on that issue.

8. At the international level, Austria was promoting environmental protection activities in the Central and Eastern European countries. Also, recognizing the need for greater transfer of resources to the developing countries, it had pledged 400 million Austrian schillings to the Global Environment Facility and had earmarked an additional 200 million Austrian schillings for bilateral projects geared to sustainable forest management. It had been agreed at the Rio Conference that the role of UNEP should be strengthened in such areas as the further development of international law. It would also be very important to ensure the greatest possible cooperation between UNEP and the Commission on Sustainable Development and other bodies working in the field.

9. Ms. DOWSETT (New Zealand) said that UNCED had been a watershed in the history of international action for the protection of the environment and would set the scene for future action in the field. As a follow-up to the Conference, new mechanisms had to be established to deal with environmental problems like desertification and drought and marine and coastal issues. As the Executive Director of UNEP had said, political commitment by the international community was essential to achieve that objective. New Zealand welcomed the fact that Agenda 21 envisaged an enhanced role for UNEP. It would be necessary for UNEP and the other bodies involved in environmental matters to coordinate their work closely through the new Commission on Sustainable Development and the Economic and Social Council. It was encouraging that UNEP had moved promptly to make the institutional changes required as a result of the Rio Conference and that it was nearing completion of the review of its structure and management.

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(Ms. Dowsett, New Zealand)

10. Among the key issues addressed by UNCED, the depletion of the ozone layer was of particular concern to New Zealand. UNEP's work in overseeing the implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer was valuable in that connection. Another serious environmental problem was desertification, one of the priority areas recommended to UNEP, in which New Zealand hoped the agency would play a central role. Regarding the ocean environment, UNEP had organized the Regional Seas Programme, which New Zealand supported. The South Pacific Regional Environment Programme, adopted in 1980 as part of the Regional Seas Programme, had established close and effective working relations with New Zealand. The Executive Director of UNEP was to be thanked for his effective service in the cause of the environment.

11. Mr. CAMERON (Australia) said that his country attached great importance to UNEP, as reflected in the tripling of its financial contribution to that organization since 1988-1989. UNEP had initiated important negotiations on the ozone layer, biodiversity and national and regional sustainable development programmes, including the regional seas programmes. It was also responsible for useful data collection and for environmental monitoring systems. It had contributed decisively to the preparations for the Rio Conference, for which it had prepared a report on the state of the environment, a report on the implementation of General Assembly resolutions 42/186 and 42/187, and an evaluation of the Plan of Action to Combat Desertification. Australia fully supported the recommendations on the role of UNEP in chapter 38 of Agenda 21, which emphasized the need to avoid duplication by having a clear division of responsibilities, and listed priority areas for UNEP attention that reflected its mandate and expertise.

12. Mr. GATHUNGU (Kenya) said that UNEP had played a very important part in the preparations for the Rio Conference and must continue to have a role in implementing UNCED decisions and in monitoring the fulfilment of the commitments made at the Conference.

13. The third special session of the UNEP Governing Council had singled out three particular areas as important to the work of UNCED and to the subsequent implementation of Agenda 21. One such area was the implementation and financing of the Plan of Action to Combat Desertification. The inputs from the third special session had been considered by the Preparatory Committee for UNCED at its fourth session, and ultimately the Conference had adopted Agenda 21, chapter 12 of which proposed specific programmes for dealing with desertification. Despite the severity of the problem, clearly brought out in the relevant report prepared by UNEP for the Rio Conference and in the Secretary-General's report on combating desertification and drought (A/47/393), the progress made in implementing the Plan of Action had been modest, largely for lack of resources. The Committee must find ways of obtaining the funds needed for the Agenda 21 programmes related to desertification. The Committee must also see to it that the responsibilities assigned to the United Nations organs and programmes involved in that

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(Mr. Gathungu, Kenya)

difficult task were clearly delimited, taking into account their respective mandates, capacities, roles, initiatives and activities. UNEP's experience should be fully utilized in all work on the convention on desertification, to be completed by 1994, and UNEP must be entrusted with the secretariat arrangements and technical inputs for the preparation of the convention.

14. The second area addressed by the UNEP Governing Council had been the state of the environment. The UNEP report on that issue identified the main environmental problems, such as ozone layer depletion, climate change, population growth, toxic chemicals and hazardous wastes, and air and water pollution, which still posed a grave threat despite the efforts made since the 1972 Stockholm Conference.

15. The third area considered at the third special session had been the report of the Secretary-General on the follow-up to General Assembly resolutions 42/186 and 42/187. The inputs from the third special session had been transmitted to the fourth session of the Preparatory Committee for UNCED. It would be the responsibility of the Second Committee during the current session to take effective measures for the implementation of the decisions adopted by UNCED.

16. Mr. WIBISONO (Indonesia) said that, while the Rio Conference had highlighted the seriousness of environmental problems and, as the Secretary-General had noted in the conclusions to his report (A/47/121, para. 101), Governments and the United Nations system had made considerable progress in designing policies, programmes and plans for environmentally sound and sustainable development, the remaining tasks were enormous and required increased political will and concerted action at both the national and the international level. UNEP was an essential element of that process.

17. Economic development and environmental protection had long been perceived as mutually incompatible. However, the environmental objectives set forth in Indonesia's five-year development plan (Repelita V) reflected his country's concern for the conservation of the environment. The Government had established seven environmental priorities in the five-year plan: the inventorying and evaluation of natural resources and the environment; protection of forests, land and water; improvement of institutional capacities for natural resources and environmental management; improvement of meteorological and geophysical information-gathering capabilities; the development of coastal areas; pollution control; and rehabilitation of critical land and forest. The Indonesian Government's policy on environment and development was derived from the need to integrate both elements and had been enunciated a decade earlier when the Law on the Management of the Environment had been enacted. An important aspect of that law was contained in government regulation of environmental impact analysis, mandatory since 1982. Other important legislation currently under preparation included the Law on Population Dynamics and Family Welfare and the Law on Resource Use and

(Mr. Wibisono, Indonesia)

Spatial Planning. As to institutions, in addition to the State Ministry for Population and Environment, the Indonesian Government had established new bodies such as the Agency for Environmental Impact Management, which had responsibility for monitoring pollution and hazardous and toxic substances.

18. Mr. BAILLARGEON (Canada) said that his country, one of the original signatories of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), planned to sponsor a resolution to permit the secretariat of the Convention to share the revenue received from the sale of the United Nations CITES stamp issue. His delegation believed that it was important, as follow-up to the Rio Conference that the proceeds from the sale of those stamps should be devoted to the conservation and protection of nature and of endangered species, and invited all interested countries to support the resolution, which would be circulated shortly.

19. The role of the United Nations Environment Programme was all the more important at such a critical juncture on the path to sustainable development. The time had come to fulfil the commitments made at Rio by working together in pursuit of common environmental objectives. Since its creation, UNEP had worked to promote awareness of the urgency of environmental problems such as depletion of the ozone layer, transboundary movements of hazardous waste, climate change and loss of biological diversity. As the principal catalyst and coordinator for environmental action within the United Nations, UNEP must continue to play a vital role in the pursuit of global sustainable development.

20. Mr. TOLBA (Executive Director of the United Nations Environment Programme) welcomed Canada's sponsorship of a draft resolution proposing that a portion of the proceeds from the sale of CITES commemorative stamps should be given to the Convention secretariat to allow it to continue and intensify its work. With respect to the problem of desertification, he recalled that in 1977, following the United Nations Conference on Desertification, it had been decided that follow-up to the Plan of Action to Combat Desertification should be entrusted to the Administrative Committee on Coordination (ACC) and to UNEP through its Governing Council and its Executive Director. Finally, he thanked those delegations which had echoed the call issued at UNCED for the strengthening of UNEP operations so that it could pursue with renewed vigour its efforts to achieve the objectives which had found their fullest expression in Agenda 21.

AGENDA ITEM 85: INDUSTRIAL DEVELOPMENT COOPERATION AND THE DIVERSIFICATION AND MODERNIZATION OF PRODUCTIVE ACTIVITIES IN DEVELOPING COUNTRIES (A/47/535)

21. Mr. HALLOWAY (Director, New York Office, United Nations Industrial Development Organization) said that document A/47/535 represented a consolidated report and summary of United Nations system activities in general, and of the United Nations Industrial Development Organization (UNIDO) in particular, in implementation of the requests contained in General Assembly resolutions 45/196 and 46/146. The report addressed three main points:

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(Mr. Halloway, UNIDO)

training of scientists, engineers and entrepreneurs, activities geared to technical assistance, and the proposal for a study on the structure of world industrialization.

22. With regard to the first point, financial constraints had forced the deferment of a plan of action for accelerated human resources development, targeted to the three groups to which he had referred, which UNIDO had planned to promote jointly with the United Nations Secretariat and in close collaboration with regional economic commissions, the United Nations Development Programme (UNDP) and the World Bank.

23. Section III of document A/47/535 provided a succinct account of the second point, touching upon the human factor in industrial development, adaptation and diffusion of technology, the need to promote broader participation of developing countries in international technological development, as well as diversification and industrial recovery and UNIDO efforts in the areas of investment promotion and cooperation between industrial enterprises.

24. The proposed study which constituted the third point would involve an analysis of the reasons why some developing countries had succeeded while others had failed, as well as opportunities and barriers that a future of dynamic technological and economic change might bring. The Industrial Development Board had examined the proposal at its ninth session but had not taken a decision, because, like other agencies in the system, UNIDO was facing serious financial problems and was forced to set priorities and to choose between activities having a direct impact on modernization and diversification of production or analytical activities to indicate the vectors of change in industrial development. The States members of UNIDO were engaged in consultations in order to establish priorities for the Organization. As those consultations were at a preliminary stage, it was difficult to give any indication of their trend, although it was likely that emphasis would be placed on technical cooperation and country-specific needs.

25. Mr. ZAMAN (Pakistan), speaking on behalf of the Group of 77, said that developing countries must accelerate their industrialization process in order to achieve sustainable economic growth compatible with social development. Unfortunately, their share of world industrial production remained low, because, apart from some notable exceptions, they underutilized existing industrial capacity and could not maintain their equipment or import modern technology to replace their existing technology, which was almost always obsolete. Increased manufacturing capacity, a trained workforce, indigenous administration, and modernized transport, electrical power supply, banking and financial infrastructure were essential. To that end, it was necessary to promote indigenous capacity-building, obtain financial and technical assistance from industrialized countries and attract foreign investment.

26. Naturally, any viable process of industrialization required an adequate level of demand, which could be reinforced through trade liberalization and

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(Mr. Zaman, Pakistan)

improved access of exports to the markets of developed countries. Progress in industrialization in developing countries was also dependent upon a favourable international economic environment that did not involve discriminatory treatment by means of tariff and non-tariff barriers. The responsibility of the developed countries in that connection was enormous, for a mere increase in interest rates or a sudden fall in commodity prices could wipe out at one blow efforts made in the right direction and offset the benefits derived from financial assistance.

27. He pointed out the need for UNIDO to carry out as soon as possible the study on the training of scientists, engineers and entrepreneurs which had had to be postponed because of severe financial constraints, and said that all developing countries recognized the leading role of UNIDO in providing policy guidance and were convinced that the international community must redouble its efforts to foster industrial development cooperation and the diversification and modernization of productive activities in developing countries.

28. Mrs. HELKE (United Kingdom), speaking on behalf of the European Community and its member States, said that industrial development was one of the key components of development at the national, regional and global levels and had a crucial role to play in promoting sustainable development. It was therefore necessary for Governments to design and implement appropriate and effective industrial development policies. Such policies should strike a balance between the public and private sectors, small and larger enterprises, the industrial and agricultural sectors and production for domestic consumption and for export.

29. Although for many years industrial development had been considered synonymous with large-scale heavy industry and had been closely associated with the trend towards urbanization in developing countries, it had come to be accepted that it could include small and medium-sized enterprises and could take a multitude of forms. The chapter on industrial cooperation of the fourth Lomé Convention stressed, in fact, the importance of the establishment and development of small and medium-sized enterprises and the need to diversify the economy.

30. It was an established fact that industrial development also required trained human resources protected by proper health services and appropriate labour legislation. Also indispensable was a macroeconomic policy that fostered local entrepreneurial initiative, freeing it from interventionism and bureaucracy, and stimulated foreign investment by providing legal stability and security. The industrialized countries had a responsibility to encourage industrial development beyond their frontiers. At the macroeconomic level, they should help to create a supportive international environment that would improve market access through a strengthened and open multilateral trading system. At the micro-economic level, they should continue to offer technical cooperation to developing countries, as was done by the European Community under the Lomé Convention and the Phare programme. The main channels for the

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(Mrs. Helke, United Kingdom)

transfer of technology, which was indispensable for industrial development, should be education, training and transnational investment, but they also included direct cooperation between companies of industrialized and developing countries.

31. It had been made clear during UNCED and in Agenda 21 that development must be achieved in an environmentally sound way. Governments must establish a stable and transparent legal framework that would protect the environment and enable enterprises to be perfectly clear about where to focus their attention. Industry had to make an important contribution to sustainable development. In that respect, the European Community welcomed the conclusions and recommendations of the UNIDO Conference on Ecologically Sustainable Industrial Development held in Copenhagen from 14 to 18 October 1991. It was essential to incorporate the costs of environmental protection into the production of goods and promote research on cleaner technologies, the transfer of which should be encouraged. The European Community and its member States would continue to support international cooperation in that field through the United Nations and other appropriate forums. The United Nations system, including UNIDO, should pay special attention to the needs of the least developed countries, but Member States and other organizations, too, would have a significant part to play in promoting industrial development.

32. Mr. AHMIA (Algeria) said that industrialization was essential for promoting and accelerating growth and economic and social development, especially in developing countries, where the process depended in large measure on equipment, technology and know-how from developed countries. International organizations must therefore redouble their efforts to support measures for encouraging industrialization in developing countries, through technology transfer and the mobilization of financial resources.

33. The "lost decade" of the 1980s had been disastrous for the African continent. Despite the sacrifices of the African countries within the framework of the first Industrial Development Decade for Africa, 1981-1990, international assistance had fallen short of expectations. After the proclamation, by the General Assembly, of the period 1991-2000 as the Second Industrial Development Decade for Africa, UNIDO had adopted the programme of that decade on a priority basis within the framework of its activities. Algeria valued highly the adoption of the programme by the Assembly of Heads of State and Government of the Organization of African Unity in July 1992 and by the Economic and Social Council during the high-level segment of its most recent session and considered that the new readjusted period, 1993-2002, would permit the mobilization of the international community and the United Nations system for the full execution of the programme under better conditions. To achieve the ambitious objectives of the new programme, which would probably be approved during the current session of the General Assembly, the Economic Commission for Africa had to have the necessary financial resources in order to assist the countries of Africa in accordance with the provisions of Economic and Social Council resolution 1992/44. It was also necessary to

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(Mr. Ahmia, Algeria)

learn from the failure of the first programme in order to put into practice mechanisms for the periodic evaluation of the execution of the new programme, apply any necessary corrective measures and take into account the legitimate interests of Africa in the field of development and modernization of industrial activities.

34. Algeria was confident that the African countries would follow an integrated approach in the execution of the programme at the national, subregional and regional levels, taking into account the New Agenda for the Development of Africa in the 1990s and Agenda 21, approved at the Rio Conference. In that respect, it was important to point out the need to integrate environmental issues into the projects of the Second Decade; in the area of biotechnology, for example, Algeria felt that the new programme and UNIDO could help to bring about the realization of the proposed initiative to create an African biotechnology agency. At the regional level, the States members of the Arab Maghreb Union had approved an industrial cooperation plan that included strengthening technical skills and training, the creation of a network of industrial data banks and UNIDO technical assistance in various sectors.

35. In addition to implementing an industrialization plan that had made it possible to establish an industrial base, the Algerian Government had adopted a programme of work that included modernizing and integrating the existing industrial base and strengthening it through increased autonomy for enterprises and the formation of industrial and financial groups, establishing companies open to national and foreign capital, reinforcing the private sector and increasing exports and services.

36. The development and modernization of industrial activities in the developing countries demanded an international economic environment that encouraged foreign investment and the transfer of technology on favourable terms. Accordingly, the success of any development effort depended on strengthening the institutional infrastructure and industrial planning, on training and technical assistance and on financial aid from outside.

37. Mr. ISAKOV (Russian Federation) said that the rapid changes in world industry had transformed the problems inherent in the industrial development of the developing countries and accordingly new policies must be adopted for industry and international cooperation. The Russion Federation wished to participate in the multilateral effort to that end, bearing in mind the priorities of the developing countries, the possibilities of the donor countries and the need to find a balanced solution to social and environmental problems. It therefore intended to widen its cooperation with the United Nations Industrial Development Organization (UNIDO), the United Nations Development Programme (UNDP) and the United Nations Revolving Fund for Natural Resources Exploration.

(Mr. Isakov, Russian Federation)

38. Foreign investment in the developing countries had been concentrated in the traditional sectors, although it had increased in the metallurgical, construction and fertilizer branches. That was normal at the current stage of development, but in future more attention should be paid to high technology, through strengthening UNIDO's research capacities and a new policy directed towards the application of more modern techniques. Technology transfer, cooperation in investment and industrial management training were also important. It was also necessary to convert the defence industry and use it as a reserve to strengthen international cooperation. UNIDO might study the advantages and possible benefits of such conversion and present its views to the General Assembly on the prospects for such conversion, its financing, its possible results and the means of securing the participation in it of the international financial institutions.

39. The cooperation between UNIDO and the Russian Federation had yielded gratifying results. For example, UNIDO specialists had laid the foundation for establishing a duty-free zone in Vladivostok, and a seminar had been held in Moscow on the conversion of the defence industry and privatization. The province of Kaliningrad and UNIDO had begun activities on modernizing industry in the region, a project for the rehabilitation of the pharmaceutical industry had been started in St. Petersburg, a conference would be held in November entitled "The Republics of the former Soviet Union: New prospects for trade and investment", and, in January 1993, a seminar would be held on the privatization process in the Russian Federation. The Russian Federation thanked the UNIDO secretariat for its work in the negotiations with the World Bank and European Bank for Reconstruction and Development for financing for projects in the country, and for its offer to participate in UNDP projects in the Federation. The activities of UNIDO's Centre for International Industrial Cooperation in Moscow had been very useful, chiefly in regard to the establishment of relations with enterprises and producers' associations through modern forms of economic cooperation, and the training of management personnel. The Centre also promoted the transfer of Russian technology to the developing countries, the dispatch of Russian experts to those countries and the holding of seminars in the Russian Federation on problems of industrial development for representatives of developing countries. With a view to improving relations between the Federation and UNIDO, an inter-agency committee had been set up whose main task was to secure increasing participation by Russian informal sector entrepreneurs in cooperative activities with UNIDO.

40. The Supreme Council of the Russian Federation was examining a programme to speed up industrial reform, including privatization, structural transformation, and the demilitarization and modernization of industry. Attention had centred on the stabilization of the fuel and energy industry. In the short term, an effort would be made to attain previous levels of oil extraction through the rehabilitation of inactive wells, of which there were 25,000. In the medium term, foreign investment would be encouraged to exploit oilfields which had not been developed to the full for lack of resources and

(Mr. Isakov, Russian Federation)

bidding would be invited for contracts, thus guaranteeing the investment. There would also be investment in pipelines and refineries. In the long term, contracts would be signed with foreign enterprises for the provision of risk capital for prospecting for new oil and gas deposits. Medium- and long-term investment programmes had also been prepared to attract foreign capital for the conversion of the Russian defence industry.

41. Mr. KRAVETZ (El Salvador) said that stabilization and structural adjustment programmes in El Salvador included various measures, among them the most important being the freeing of exchange and interest rates, tax reform, the elimination of State trade monopolies, and fiscal and customs incentives for export companies and for the construction of duty-free zones, which had resulted in an 11.6 per cent increase in non-traditional exports in 1991. The increase had been achieved with the assistance of many private sector organizations, in particular the Salvadorian Foundation for Economic and Social Development (Fundación Salvadoreña para el Desanollo Económico y Social), which, in 1991, had created more than 6,000 jobs, promoted non-traditional exports for a total value of $47 million and secured investment amounting to $11.6 million, and the Entrepreneurs' Foundation for Educational Development (Fundación Empresarial para el Desanollo Educatio), which in the past five years had trained more than 50,000 workers, technicians, instructors, executives and managers.

42. The work of those private organizations, namely promoting investment and exports and developing human resources, was in harmony with UNIDO's programmes in those fields. In that connection, it should be noted that special attention should be paid in industrial cooperation activities to the human factor and to industrial recovery, as was brought out in document A/47/535.

43. In resolution 46/146, the General Assembly had requested for consideration at its forty-seventh session, three reports on industrial development cooperation and the diversification and modernization of productive activities in developing countries. Given that none of them had been presented, it might be thought that industrial development cooperation was not one of the international community's priority themes. In reality, the reason was that the financial resources needed for preparing the reports in question were not available. UNIDO could serve as a bridge between private organizations in the developing countries and organizations in the developed countries which possessed vast experience in promoting investment and exports and in developing human resources. UNIDO could also help in finding sources of finance for projects of private development organizations.

The meeting rose at 5.25 p.m.

UNITED NATIONS

General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
19th meeting
held on
Friday, 23 October 1992
at 10 a.m.
New York

SUMMARY RECORD OF THE 19th MEETING

Chairman:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. GUERRERO (Vice-Chairman)	(Philippines)

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AGENDA ITEM 82: EXTERNAL DEBT CRISIS AND DEVELOPMENT

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29 October 1992

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 82: EXTERNAL DEBT CRISIS AND DEVELOPMENT (A/47/82, A/47/83, A/47/225-S/23998, A/47/312-S/24238, A/47/344, A/47/351-S/24357, A/47/375-S/24429, A/47/396 and A/47/499; A/C.2/47/L.4)

1. Mr. JI Chaozhu (Under-Secretary-General for Economic and Social Development), introducing the report of the Secretary-General on the external debt crisis and development (A/47/396), said that, over the past decade, many international policy approaches had been attempted in order to bring the debt-servicing obligations of heavily indebted developing countries back within their debt-servicing capacity; however, most of those approaches had failed. While the combined effect of shrinking debt, falling interest rates, arrears and a measure of success in expanding export earnings had brought the debt-servicing ratio down from 40 per cent in the mid-1980s to the still high level of around 30 per cent in 1991, that was not enough to enable indebted countries to recover from 10 years of sluggish economic activity and declining living standards.

2. Nevertheless, there had been some hopeful signs in recent years. While fiscal restraints on the Governments of adjusting countries had eroded social safety nets and prevented sufficient funding of well-targeted adjustment assistance to low-income groups, the international community had become more sensitive to the social costs of adjustment in debt-crisis countries, and the nature of the debt problem was better understood by both creditors and debtors. Moreover, debtor countries had embarked on domestic adjustment programmes to stabilize and reorient their economies for a return to sustained economic growth and a sustainable current-account balance.

3. During the past 12 months, interest rates had fallen substantially, certain major debtor countries had reached debt and debt-service reduction agreements with their commercial bank creditors, and borrowers in some of the major heavily indebted countries had returned to the international financial market. At the end of 1991, the Paris Club had adopted more concessional terms for restructuring debt owed to official creditors by low-income, heavily indebted countries, most of which were in Africa. In spite of those developments, many countries had yet to conclude their negotiations with banks and official creditors, and the terms of debt restructuring were still less favourable to debtor countries than they could be.

4. When countries found that they could not service their debt to multilateral institutions, their only alternative was to go into arrears. While procedures had been instituted in recent years to help countries return to good standing, there was no formal and general mechanism to short-circuit that process and help countries avoid falling seriously behind in their payments during periods of economic difficulty.

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(Mr. Ji Chaozhu)

5. In the past, there had been a widening gap between payment due and actual payments. The major conclusion of research undertaken by the World Bank and other institutions was that the expected debt servicing after a debt agreement was somewhat larger than it had been before the agreement. Although the contractual debt servicing was smaller, the probability that debt servicing would be fully met became higher. Moreover, all new loans contracted with multilateral institutions in conjunction with the agreement must be fully serviced.

6. The key benefit from current bank agreements did not lie in directly improving the expected cash flow *vis-à-vis* existing foreign creditors; it lay, instead, in reducing the gap between contractual and expected debt servicing. That regularized the debt-servicing situation and, coupled with progress in domestic stabilization and adjustment, helped countries regain access to markets for new private credit-flows.

7. In the area of bilateral official debt, the Paris Club had been less willing than the banks to reduce the gap between contractual and expected servicing of debt. Even the new enhanced terms in the treatment currently available only to low-income countries applied, at most, to debt servicing falling due over one to three years. While up to half of that debt servicing might be written off, debt servicing due in the fourth year and beyond had to be restructured at a subsequent meeting of the Paris Club.

8. In order to end the debt crisis of the developing countries by the mid-1990s, the international community should further strengthen the international debt strategy with a view to eliminating debt overhang more quickly; developing countries must persist in their efforts to implement economic adjustment policies and diversify their economy; industrial countries should restore more rapid economic growth to stimulate the growth of world trade and raise international commodity prices; protectionism must be kept at bay and obstacles to the growth of exports from developing countries should be removed; and industrial countries should coordinate programmes that would in the medium term consolidate fiscal balances and strengthen financial systems, which would lead to lower and more stable long-term interest rates.

9. Mr. MASOOD (Pakistan), speaking on behalf of the Group of 77, said that the problem of external debt and debt servicing of the developing countries continued to impose severe constraints on their economic growth and development. The external indebtedness of many developing countries was further compounded by persistently low and declining real commodity prices, structurally distorted markets, fluctuations in interest rates, increasing protectionist measures, substantial transfers of resources from developing to developed countries, the inadequate liquidity situation of the international monetary system, and currency instability.

10. The Group of 77 welcomed the positive results of the initiatives that had been taken to reduce the external debt burden. The Group endorsed the

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(Mr. Masood, Pakistan)

internationally supported programmes of stabilization, structural adjustment, debt and debt-service reduction, debt-for-equity swaps and rescheduling. However, the response of the international community to the debt problem had been sporadic, piecemeal and inadequate.

11. Only a comprehensive and durable solution to the external debt problem, which took account of the need to reduce significantly the stock and service of all types of debt of all classes of debtor countries and to include anticipatory measures to prevent the proliferation of the debt problem, would alleviate the developing countries' debt-service burden. In the absence of such measures, their development efforts would be thwarted, which would heighten the risk of social and political turmoil. A durable solution must include the strengthening and liberalization of the international trading system as the most important source of real growth and development and, hence, of the resources needed by debtor countries to meet their financial obligations.

12. The developing countries were concerned at the absence of a formal mechanism to restructure the debt owed to multilateral creditors. Existing debt-reduction initiatives did not take account of developing countries that had undertaken growth-oriented adjustment programmes and had made enormous sacrifices in order to follow pragmatic economic development plans. The international community should elaborate a new strategy to address the requirements and concerns of such countries and to make current debt-reduction measures more equitable.

13. The United Nations should continue to provide regular and frequent opportunities to review the status of the external indebtedness of developing countries, and to stimulate discussions on the efficacy, adequacy and equity of the measures taken to solve that problem.

14. Mr. BARNETT (United Kingdom), speaking on behalf of the European Community and its member States, said that it was important to recognize that indebtedness by itself was not necessarily a problem; it only became a problem when the burden of debt exceeded a country's capacity to pay. Therefore, problems of external indebtedness had to be viewed in the wider context of the economic situation of each individual country. In order to reduce debt burdens and bring those burdens and payment capacities into line, a wide range of action was required, including debt-relief measures and various measures to increase revenue in debtor countries.

15. The European Community welcomed the fact that many debtor countries had begun to implement policies designed fundamentally to reform their economies. Such policies should aim at sustainable growth and include better taxation systems, a realignment of priorities in national budgets, and measures to encourage an increase in domestic savings and the return of flight capital. Although structural adjustment could have short-term adverse consequences for some segments of the population, it was an essential measure for reversing

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(Mr. Barnett, United Kingdom)

economic decline. However, the adverse impact of structural adjustment on the weakest groups in society should be kept to a minimum.

16. The successful experience of a number of middle-income countries in dealing with their debt problems had confirmed that the key ingredient for graduation from reliance on exceptional funding was the sustained implementation of sound economic policies. Supported by significant debt and debt-service reduction agreements, countries like Mexico had once again secured access to private financing and had improved their prospects for future growth. The realignment of priorities within government budgets was also important: allocations to sectors of vital importance to long-term development, notably human resources and environment, should come first, while cuts should be made in outlays such as military expenditure.

17. An early and successful outcome of the Uruguay Round of multilateral trade negotiations was particularly important for the maintenance of a favourable international economic environment. Without a free and open trading system, developing countries would be significantly handicapped in their efforts to increase export earnings. Other important factors included commodity prices, the growing demand for the limited pool of world savings and the high interest rates that had resulted from persistently high budget deficits in certain countries, and the restructuring needs of other countries in transition to a market economy.

18. Developed countries, including the European Community and its member States, must continue to pursue policies that took account of the need to facilitate growth in developing countries. Despite the recent turmoil in the currency markets, the European Community would continue to pursue policies with a view to ensuring non-inflationary growth and curbing excessive public deficits. The adjustment policies being carried out by many developing countries should enable them to begin to contribute to the promotion of a favourable international economic environment in their own right.

19. The provision of adequate external support to debtor countries in the process of reform had two aspects: reduction of debt and debt-service burdens, and the provision of appropriate new financial resources. Since the situation of individual countries varied widely, such support must be provided on a case-by-case basis. The developed countries must increase the capital flow to developing countries, inter alia, through the provision of adequate levels of official development assistance (ODA).

20. When appropriate support for debtor countries was considered a distinction could be made between various categories of debtors. The first category of debtors was that of middle-income countries with debt obligations mainly to private banks. Under the Brady Plan, a number of countries had already concluded agreements with their creditor banks.

(Mr. Barnett, United Kingdom)

21. With respect to the restructuring of bilateral official debts of middle-income countries, the European Community and its member States welcomed the special treatment accorded to lower-middle-income countries, which provided for longer maturities and the possibility of partial debt conversion. It had also welcomed the call by the Group of Seven for creditors to recognize the special problems of some lower-middle-income countries on a case-by-case basis.

22. Particular attention should be given to the poorest and most heavily indebted countries that were pursuing appropriate adjustment policies. The European Community therefore welcomed the agreement by the Paris Club to begin implementing significantly improved terms for those countries in December 1992, which would substantially increase the possibility of their returning to external viability. In particular, it welcomed the commitment of creditors to address the stock of debt of those countries with a proven record of economic and financial responsibility. Creditors must further reduce the debt stock of heavily indebted low-income countries. The Paris Club should continue its discussions in order to take measures to meet the needs of the poorest and most heavily indebted countries. The European Community and its member States also attached great importance to the enhanced use of voluntary debt conversions, including debt conversions for environmental protection.

23. The problems of Africa deserved special attention. In 1992, the debt-service ratio of some African countries was likely to rise as a result of the accumulation of arrears and continuing low growth in export earnings. Under the United Nations new agenda for the development of Africa in the 1990s, the international community was committed to seek durable solutions to the African debt crisis in support of Africa's own economic reform efforts. The European Community had already extended large-scale forgiveness to the concessional debts of many African countries, and continued to be a major contributor to the Special Programme of Assistance for Sub-Saharan African Countries Affected by Drought and Desertification. That Programme adopted an integrated approach and combined debt-relief measures, bilateral balance-of-payments assistance and multilateral funding mechanisms, most notably the International Development Association (IDA) and the Enhanced Structural Adjustment Facility.

24. Mr. Guerrero (Philippines), Vice-Chairman, took the Chair.

25. Mr. DUGAN (United States of America) said that his delegation shared the consensus that debt problems could not be isolated from other aspects of economic growth and development and could not therefore be solved by debt relief alone. Sustainable levels of growth, accompanied by reform efforts, were essential to the resolution of debt, necessitating increased external resources, not only from official donors but also in reform of private flows. Alternative sources of non-debt capital flows included measures initiated by the debtor countries themselves to open up their markets, both to spur private investment and to encourage the return of flight capital.

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26. Significant progress had been made under the voluntary, market-based international debt strategy in the area of commercial bank debts, in the form of debt reduction or refinancing agreements, which had accounted for 92 per cent of the outstanding commercial bank debt of the 16 major debtor countries. That, in combination with other positive developments, had brought the aggregate debt-service ratio for the developing countries as a whole down from 22 per cent in 1986 to 14 per cent in 1991.

27. International capital markets had responded positively to that combination of economic reforms and an improved debt situation, leading to the emergence of a new market for developing country debt, which would subject both borrowers and lenders to market forces, and boosting secondary market trading from $10 billion in 1987 to current levels of $150-200 billion.

28. Particularly impressive progress had been made by Latin America, whose private capital inflows had grown tenfold to $40 billion between 1989 and 1991, accompanied by average growth for the region of 3 per cent, a two thirds decline in inflation and the doubling of its official reserves.

29. A valuable contribution was also being made by IDA, whose debt reduction facility was reducing the commercial bank debt burdens of those poorest countries which were undertaking economic reforms.

30. With regard to the official debt of the poorest countries, the new "enhanced Toronto terms" of the Paris Club, providing for 50 per cent debt-service reduction on payments falling due during the rescheduling period, had already benefited eight countries. In addition, the Munich Economic Summit had encouraged the Paris Club to recognize the special situation of some highly indebted, lower-middle-income countries on a case-by-case basis.

31. Along with other creditor Governments, the United States had undertaken significant bilateral official debt-reduction programmes, forgiving almost $2.7 billion owed by a total of 25 countries around the world and implementing official debt-reduction measures totalling $263 million under the Enterprise for the Americas Initiative, in favour of three countries which met certain economic reform criteria. He expected several additional countries to qualify for debt reduction under the Initiative over the following months.

32. In conclusion, he stressed that debt and debt-service reduction efforts were only one element in stimulating economic growth in the developing countries, but that appropriate economic reforms and continued assistance from official bilateral and multilateral sources were also essential.

33. Mr. RAO (World Bank), commenting on the international economic environment, said that in view of the sluggish conditions, growth in the developing countries had been very poor through 1991, although modest growth was expected to resume in 1993, with most regions doing slightly better. The collapse of Eastern Europe and the former Soviet Union was expected to end.

(Mr. Rao, World Bank)

East Asia continued to have robust growth, and Latin America was emerging from the debt crisis. United States dollar interest rates had declined precipitously, helping to reduce the debt service owed on variable rate debt. The future of world trade would depend on whether a breakthrough was achieved on the Uruguay Round negotiations.

34. Turning to external financial support, he said that the debt burden of many severely indebted countries was being reduced by measures focused mainly on official debt, which accounted for most of those countries' indebtedness. The concessional options of the December 1991 "enhanced Toronto terms" of the Paris Club amounted to 50 per cent forgiveness in present value terms, from which eight countries had thus far benefited. However those terms fell well short of the "Trinidad terms" proposed in September 1990, and were insufficient to restore external viability to a number of countries, for some of which even the "Trinidad terms" would be inadequate.

35. For many middle-income countries, the 10-year-old debt crisis was largely over. Those countries now had firm domestic policies, commercial debt and debt-service reductions (DDSR), with a resurgence of portfolio flows signalling a return of investor confidence. The share of developing-country commercial debt covered by commercial debt-reduction agreements would soon reach 70 per cent. Some of the relief was in the form of a reduction in the future stream of interest payments. The six completed agreements would reduce debt by the equivalent of 37 per cent of the total commercial bank debt of the countries concerned. Several middle-income countries had re-established market access without a comprehensive DDSR agreement.

36. However, resolution of commercial debt problems had yet to be achieved through DDSR agreements for smaller middle-income countries, and external viability remained elusive for many low- and lower-middle-income countries, whose debt was primarily official and whose debt burdens were unsustainably high. With the exception of Poland and Egypt, the Paris Club had not yet offered any debt-reduction terms to the lower-middle-income countries, which the July 1992 Munich Summit had recommended should be examined on a case-by-case basis. The French Government had recently called for a fund to be established to convert the official debt repayments of some countries into financing for development projects.

37. For the reforming republics of the former Soviet Union, commercial banks and the Paris Club had agreed to four quarterly roll-overs of principal due in 1992 on loans contracted before 1991, providing cash-flow relief to those countries in 1992 of something over $7 billion. Debt rescheduling was essential to help those countries in their transition to a market economy; the Paris Club was negotiating a debt-restructuring package that would spread repayments over 10 years.

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(Mr. Rao, World Bank)

38. Domestic economic foreign policies were essential to restore a debtor country's creditworthiness and generate growth. Particularly severely indebted low-income and lower-middle-income countries would have to rely primarily on domestic savings supplemented by external concessional service. Given the scarcity of ODA, those countries would have to demonstrate that aid was being put to productive use. That required sustained commitments to structural adjustments, as well as progress on issues of poverty, the environment, human resource development and governance. Middle-income countries emerging from the debt crisis would have a wider choice of external financing opportunities in the 1990s than in the preceding decade. Private external finance was becoming more contingent on borrower creditworthiness. After several years of domestic policy reform combined with officially supported DDSR, a small but important group of middle-income debtors had achieved remarkably greater access to private finance, led by a dramatic increase in portfolio investment flows.

39. He drew five policy lessons from the 10-year-old debt crisis. Firstly, lending and borrowing decisions should take into account the possibility of adverse external shocks; that had not been done in the 1970s, when many developing countries had ignored the possibility of the international economic environment turning less favourable. Secondly, official action had been central to overcome the "free-rider" problems that complicated debt rescheduling and reduction negotiations. Market mechanisms to ensure coordinated collective action were frustrated by the number and diversity of creditors involved. Official intervention was the key to avoiding systemic collapse of the international financial system. Thirdly, building risk-sharing contingencies into financial contracts was much less costly than renegotiating contracts when things went wrong. Given the predominance of syndicated loans to sovereign borrowers in the 1970s, there had been little risk-sharing through other forms of finance. The recent boom in equity flows to some developing countries was a welcome development. Fourthly, external finance for low-income countries must be on appropriate terms, and thus largely from official concessional sources. Reliance on external borrowing at market-related terms - whether from commercial or official sources - had created problems in several countries. Fifthly, domestic resources and policies, not external borrowing, were the key to economic development. Borrowers needed to examine carefully their ability to invest the borrowed funds productively, and the vulnerability of the country, both in its degree of indebtedness and its capacity to adjust quickly in the face of adverse economic development. He added that debt and external finance problems would be the special focus of the World Bank's annual review entitled Global Economic Prospects, which would be available in the coming spring.

40. Mrs. HEPTULLA (India) said that the Secretary-General's report on the external debt crisis and development (A/47/396) stressed the magnitude of the problem and was cautiously optimistic on the external debt crisis facing developing countries, as well as on the turnaround in the related reverse transfer of resources from developing to developed countries. Her delegation

(Mrs. Heptulla, India)

shared the views expressed in the report that the number of countries benefiting remained quite limited and that the net inflow of financial resources could not be regarded as an indication of a basic trend in the environment of the developing countries. The official debt-reduction arrangements made with two middle-income countries had not been extended to low-income indebted countries. The impact of commercial debt restructuring was uncertain and had not led to an increase in bank lending. The "enhanced Toronto terms" were limited in scope and implied a long series of repeated rescheduling.

41. The so-called case-by-case approach often masked an inadequate creditor country response guided by political and not economic criteria, which had not led to significant debt reduction. The scale and scope of debt reduction should be increased. Rescheduling provided only temporary relief; reduction was the cure. Labouring under severe balance-of-payments contraints, in the aftermath of the Gulf crisis, India had had to secure new loans by using its gold reserves. The international debt strategy must include debt reduction and increased financial flows for low-income countries which continued to service their debt in timely fashion. Such measures would prevent the proliferation of the debt crisis.

42. The developing countries, including India, had had some success in short-term stabilization and long-term restructuring, but the complex interrelationships between trade, finance, investment and debt set an upper limit to such efforts. Interest rates, exchange rates and trade, especially the terms of trade, determined the developing countries' ability to repay. According to the report, despite the marginal decline in market interest rates, the net impact might be temporary, as interest rates in developed countries would rise with economic recovery. The currency in which debt was denominated was also a crucial consideration. The declining terms of trade of commodities had virtually wiped out any other benefits from a supportive environment. She wished the report had examined the impact of currency fluctuation on debt, both directly and through the multiplier effects on trade and investment. The developing countries had long demanded to take part in decisions on interest rates, money and finance. Her delegation thus endorsed the idea of an international conference on the financing of development. During recent informal discussions with the Bretton Woods institutions, useful ideas had been exchanged on macroeconomic surveillance and coordination which could be further discussed during the forthcoming debate on such a conference.

43. Regarding trade, a cloud of uncertainty hung over the Uruguay Round of multilateral trade negotiations. The insufficient liberalization of trade in agriculture and the unjustified protection of domestic suppliers of textiles made it difficult for developing countries to gain access to markets and to increase export earnings. The development dimension should be borne in mind in framing trade rules and it was necessary to avoid unjustified barriers to trade, including grey-area measures and anti-dumping legislation.

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(Mrs. Heptulla, India)

44. The developing countries were in great need of concessional finance, commercial financial flows and non-debt creating flows of foreign direct investment in order to build up their economic capacity and hence their capacity to repay debts. She welcomed the reiteration of the pledge to meet the internationally agreed commitment of 0.7 per cent of GNP for ODA, and hoped for an increase in real terms under the replenishment of IDA resources, as well as an increase in financial flows under the Structural Adjustment Facility and the Enhanced Structural Adjustment Facility to provide medium-term concessional flows to lower-income countries. Commercial flows to and foreign direct investment in developing countries should be encouraged. The present capital flows were of speculative funds, the costs of credit were high-interest premiums, and those flows had not led to commensurate new investments in plant and machinery. Her delegation agreed with the Secretary-General's recommendation that one agreement, rather than regular rescheduling, should be considered for official debt, along the lines of the restructuring of commercial debt. A comprehensive and durable solution was needed, to help the developing countries eliminate the risk of social, political and other crises which could be caused by external indebtedness.

45. Ms. SAUNDERS (Jamaica), speaking on behalf of the 12 Caribbean Community (CARICOM) States that were States Members of the United Nations, said that, while the total stock of debt owed by developing countries had not grown during 1991, debt servicing of the Latin American and Caribbean region expressed as a proportion of export earnings had risen nearly five percentage points to 30 per cent over the same period because of the payment of arrears and the stagnation of export earnings. Without significant debt relief, sustainable economic viability remained a distant prospect. She thus welcomed recent progress in diminishing the burden of official and commercial debt, as well as the measures taken by the World Bank and International Monetary Fund to replace non-concessional with concessional debt. However, the agreements concluded thus far were not enough: bolder approaches addressing all types of debt and debtor countries were now an imperative.

46. Agreements concluded under the Brady Initiative regarding debt to international commercial banks differed little from conventional rescheduling and had made remaining debt more difficult to restructure. With regard to debt to official bilateral creditors, the "enhanced Toronto terms", while significantly more generous than the previous terms, still fell short of what was warranted. The 1990 "Houston terms" had afforded some relief for lower-middle-income countries; full implementation of the "Trinidad and Tobago" terms would represent a further step in the right direction.

47. It was a matter of particular concern that insufficient attention was currently devoted to the issue of multilateral debt. With prospects for future debt-service relief via the Paris Club diminishing, Caribbean countries were faced with medium-term debts to multilateral institutions which must be discharged on the basis of the original contracts, since those institutions did not reschedule. As commercial credit had dried up, those institutions had

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(Ms. Saunders, Jamaica)

become the main source of external loan funds for many countries. Consequently, a number of countries now found that they had become net transferors of resources. Serious consideration should be given to permitting those institutions to restructure or defer debt-servicing payments in appropriate cases; while other mechanisms, such as refinancing schemes, should be strengthened, and their scope widened. The operating modalities of the international financial institutions should also be further reviewed, with a view to minimizing their involvement in the basic economic and financial strategies and detailed micromanagement of the economies of recipient countries.

48. On the crucial issue of the relationship between the United Nations and the international financial and trade institutions, Caribbean delegations fully supported the call for integrating those institutions into the United Nations system, as an essential step towards improving overall macroeconomic coordination and enhancing international development cooperation.

49. Members of the Caribbean Community had embarked with determination on the task of economic restructuring, a necessary process, but one that had brought with it social hardships whose impact had been most severely felt in those sectors that were most critical for social and economic development. Meanwhile, financial flows had been lower in real terms in 1991 than in 1990. Donor countries should thus renew their efforts to reach the internationallly agreed ODA target of 0.7 per cent of GNP.

50. On the other hand, net private flows to developing countries in 1991 had been the highest since 1982. More needed to be done to encourage that positive trend. The process would be greatly enhanced by the convening of an international conference on the financing of development, as proposed by the Secretary-General. It could not be too strongly stated that a favourable international economic environment was an urgent necessity to mitigate the short-term effects of readjustment, as well as an important buttress for medium- and long-term strategies. A successful conclusion of the Uruguay Round could do much to improve the international trading environment and to contribute to world-wide economic recovery.

51. Ms. YANG Yanyi (China) said that 10 years after the start of the external debt crisis, following costly efforts by indebted developing countries and, to a lesser extent, by the official creditors, international financial institutions and commercial banks, there were at last signs of a slight decrease in the total debt of Africa and Latin America, together with a stronger repayment capacity and an increase in net financial flows of resources to those countries. However, it would be premature to say that the debt problem and the shortfall of resources facing developing countries were now a thing of the past. Even the increase in resource flows to a small number of Latin American countries was largely attributable to factors such as high interest rates and currency devaluation. During the past year, only a few indebted developing countries had reached new agreements with commercial

(Ms. Yang Yanyi, China)

banks on debt relief. The reduction of official debt remained limited both in volume and in scope. The new debt-relief measures recently adopted by the official creditors of the Paris Club still fell far short of the drastic action needed to reduce the debt burden of the poorest heavily indebted countries and to reverse the worsening trend in their economies.

52. Unless appropriate policies were adopted, developing-country debt would continue to be a thorny problem in the 1990s, threatening the prospects for stable and sustained development of the global economy. A number of points must be carefully addressed with a view to tackling the debt problem. Firstly, greater efforts were needed to revitalize the economic growth and development of developing countries, a process that was a key to a long-term solution of the debt problem. Debt servicing should be made conditional on development. It would be in no one's interest to seek a solution of the debt problem at the expense of growth and development. The debtor countries should thus continue to pursue growth-oriented structural adjustment and economic reform in the light of prevailing conditions in their countries. At the same time, with a view to avoiding political and social turmoil, efforts should be made to ensure social stability and raise living standards.

53. Secondly, further measures should be taken to create a favourable and supportive international environment for the indebted developing countries. New resource flows must be increased through official credits and access to the international capital market. It was also important to lower interest rates, strengthen the multilateral free trade system, stabilize commodity prices, open up markets and create conditions conducive to repayment of debt.

54. Thirdly, new ways must be found of reducing the debt, with debt strategies taking into account the interests of the various categories of indebted countries in a comprehensive and balanced manner. The decision to extend the "enhanced Toronto terms" to a number of lower-middle-income debt-distressed countries should be implemented and the scope of extension expanded. The Paris Club should comprehensively adopt the "Trinidad and Tobago terms" for the low- and lower-middle-income countries and give adequate debt relief to heavily indebted middle-income countries.

55. Fourthly, the creditor Governments should adjust their policies and review their domestic laws and regulations with a view to reducing the restrictions imposed on loans to the developing countries and encouraging commercial banks to participate actively in the debt strategy.

56. Lastly, the international financial institutions, while helping new debtor countries implement economic adjustment, should also substantially increase financial assistance to other debtor countries and provide technical assistance in improving debt management. The tenth replenishment of IDA resources should represent a drastic increase over its predecessor in real terms.

57. Ms. DOWSETT (New Zealand) said that, while the situation appeared to have improved, the debt crisis was far from over in many developing countries. Continued efforts were required by both debtor and creditor nations to implement the international debt strategy in the search for a sustainable solution to international debt. The commitment of debtor countries to the strategy had been the single most important factor in any success achieved thus far, and she stressed the continued importance of sound domestic economic policies, particularly in the context of the tight international capital markets and strong competition for concessional finance of the 1990s.

58. The second key factor in ensuring the success of the debt strategy had been the use of tailor-made and growth-oriented approaches to debt reduction, which had helped restore creditor confidence and the financial standing of heavily indebted countries. While New Zealand was still a net importer of capital, its firm commitment to improving the situation of developing countries was given practical effect through its membership of the International Monetary Fund (IMF) and the World Bank and by its contribution to bilateral and multilateral aid flows, such as the fifth replenishment of the Asian Development Fund and the forthcoming tenth replenishment of IDA resources.

59. A third crucial factor was the maintenance of a favourable international economic environment, achieved not through the total elimination of foreign debt but through economic policies designed to make that debt easier to manage. As a country with a high ratio of net public debt to GDP, New Zealand was determined to overcome its indebtedness by boosting its foreign trade. It therefore attached great importance to the strengthening and liberalization of the international trading system through such measures as halving current levels of industrial-country production, which would enable developing countries to boost their imports by some $50 billion, with significant benefits to consumers and taxpayers in the developed world as well.

60. Lastly, the lower interest rates permissible in a robust world economy underpinned by global trade liberalization would considerably improve the creditworthiness and financial prospects of developing countries. Efforts were therefore urgently needed, at domestic, national and international levels, to create an economic context conducive to dynamic and sustainable growth in all debtor countries.

61. Mr. MANALO (Philippines) said that, in spite of the optimism expressed by many creditor countries, by Bretton Woods officials, and by the Secretary-General in his report (A/47/396), the external debt problem had not been solved. Some developing countries, particularly in Africa, still had debt stocks exceeding their GNP. In the Philippines, foreign debt as a percentage of GNP was expected to reach 56 per cent by the end of 1992. Forty per cent of the country's annual budget and one third of its export revenues were absorbed by debt servicing. Though it had declined in recent years, debt as a percentage of exports of goods and services was still expected to close at 180 per cent by the end of 1992.

(Mr. Manalo, Philippines)

62. If developing countries did not have to service such a heavy external debt, they could devote more funds to bolstering their social and economic services. Millions more children could attend school; infant mortality could be drastically reduced; health care facilities could be expanded and improved and new technology purchased.

63. Developing countries would continue to service their external debt burden, even though debt servicing would draw away funds that could have been devoted to economic growth and development. They would continue to suffer from financing gaps between development plans and programmes and resource inflows. Many would continue to pay debts as they pursued structural adjustment efforts and programmes to alleviate the poverty of their peoples. The Governments of such countries would continue to pay, because their word was their bond.

64. Many creditor countries recognized the gravity of the situation faced by low-income least developed countries and by heavily indebted middle-income countries. In recognition of that predicament, they had resorted to debt relief measures such as the debt rescheduling envisioned in the "Houston terms" - a lengthy process which, while reducing the payments pressure, prolonged the agony; debt discounting for purposes determined by creditors and non-governmental organizations - purposes praiseworthy in themselves but not necessarily consonant with the debtor countries' immediate priorities; or the provision of further loans, which were usually devoted to the payment of old debts. Such measures did almost nothing to reduce the debt burden, and sometimes even increased and perpetuated it.

65. The debt and debt-service reduction (DDSR) agreements concluded between indebted countries and international commercial bank creditors were laudable initiatives. Yet they were not enough, for they did not guarantee significant debt reductions. The first Philippine DDSR negotiations had led to a reduction of only 2 per cent. Furthermore, many developing countries also suffered from an inadequate trade income. As the Secretary-General had pointed out in paragraph 34 of his report (A/47/396), trade was the most important international factor determining the prospects that the heavily indebted developing countries would emerge from their debt crises. The Philippines was thus committed to seeking sustained multilateral responses to expand and liberalize trade, particularly through enhanced access to developed-country markets. It was also committed to allowing freer play of market forces in its domestic economy, so as to attract direct foreign investment and the technology such investment would bring.

66. The Philippines took a pride in the judgement of the international community that its debt problem had been prudently managed. It had avoided confrontation, eschewing emotionalism and radicalism, paying its debts as they matured, and opting for negotiated respite when necessary. But its debt problem remained. Like the least developed countries, many middle-income countries hoped to see governmental creditors take measures to cancel debt and provide incentives to commercial banks to do likewise.

(Mr. Manalo, Philippines)

67. Recent consensus resolutions and the debt-relief measures advocated in chapter 33 of Agenda 21 provided an appropriate framework in which to address the external debt problem. Nevertheless, much work on that item remained to be done in the Second Committee; for the recent positive steps taken to address the debt crisis, while effective, might not be sustainable. Additional debt relief measures must be explored, so as to ensure predictable and productive flows of external finance to sustain the development process.

68. Mr. KRASAVCHENKO (Russian Federation) said that, while the problem of external debt remained acute for many countries, the international debt strategy appeared to be taking effect, largely thanks to efforts by the United Nations. He welcomed, in particular, the growing awareness by creditor and debtor countries of their shared responsibility for the elaboration of practical solutions to the debt crisis, at global, regional and national levels. Debtor countries increasingly accepted that stable economic development must be achieved through their own efforts; international donors could do no more than create more favourable conditions for such efforts.

69. The Russian Federation stressed the need for non-standard approaches to the problem of external indebtedness, such as the conversion of debt obligations into investments in the national economy or development and environmental projects or their repayment in local currency. In view of the relative insolvency of many debtor countries, particular attention was merited by arrangements for those countries to sell their debt obligations at an agreed discount with support from international financial institutions, primarily IMF. The implementation of such measures would help reduce the debt burden of those countries at no risk to creditors and without jeopardizing financial stability, provided that the discounts and nominal value of the debt obligations were set at realistic levels.

70. There was apparent consensus on basing an effective debt strategy on a combination of general principles and a case-by-case approach, requiring concerted action at the global level, primarily within the framework of the United Nations Conference on Trade and Development, and use of the existing mechanisms for multilateral coordination of external financing and debt settlement.

71. The global nature of the debt problem necessitated the participation of all States and groups of countries in the search for its solution. Among those groups were the countries with transition economies, which posed special problems, since they were simultaneously major creditors *vis-à-vis* the developing countries and debtors to the West. A possible solution would be a combination of debt-relief measures by the countries with transition economies in favour of their debtor countries and commensurate debt-relief measures towards them by their own creditors.

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(Mr. Krasavchenko, Russian Federation)

72. In the case of the Russian Federation, debt problems were an additional destabilizing factor in its relations both with the republics of the former Soviet Union and with its creditors. The crisis had become particularly acute in 1991, with a 35 per cent decline in exports set against a precipitous growth in overdue indebtedness. As a result, the Russian Federation had been forced to reschedule its debt through the Paris Club in a series of short-term agreements and it therefore stressed the need for a long-term solution to the problem, with the restructuring of its external debt. At the same time, talks were under way with the former republics of the Soviet Union on Russia becoming the sole successor to the debts and assets of the Soviet Union.

73. The credits of the former Soviet Union amounted to approximately $150 billion, $27 billion of which was overdue, and in view of the current state of its economy the Russian Federation was forced to make use of that reserve. At the same time, the Russian Federation was seeking methods of resolving its external debt problem through a combination of debt-forgiveness and rescheduling measures. In conclusion, he expressed the conviction that the debt problem could only be properly solved through a balanced consideration of the interests of both debtors and creditors.

74. Mr. MOUSSA (Cameroon) said that the debt problem had attained particularly disturbing proportions in Africa, whose debt-service burden amounted to $27.4 billion, representing over 102 per cent of Africa's GNP. The need for bold corrective measures had rightly been stressed in the United Nations new agenda for the development of Africa in the 1990s.

75. While certain remedial measures had been undertaken under the Brady Plan and the "Toronto terms" and at a bilateral level by many countries and institutions, they were often inadequate or fragmented and their implementation imposed severe constraints on the countries concerned, necessitating immense efforts to increase savings and investment and to slow inflation and entailing arduous sacrifices. At the same time, despite highly favourable developments in the international political climate, the economic environment was growing increasingly hostile, with deteriorating terms of trade, falling commodity prices, rising prices of imports and more and more obstacles to access to markets and credit.

76. In addition, the budget cut-backs necessitated by debt repayment and service were adversely impacting on such sectors as health, education, employment and housing, with potentially explosive political consequences, not only for the developing countries but also, owing to the interdependent nature of the world economy, for the prosperity of the industrialized countries and the financial stability of the world as a whole.

77. The fragmentary nature of attempts to solve the debt crisis was illustrated by the exclusion of middle-income countries, like Cameroon, from debt-relief measures. While Cameroon welcomed the provisions of chapter 33 of Agenda 21, extending the benefits of debt relief to middle-income countries,

(Mr. Moussa, Cameroon)

as well as bilateral credit initiatives by the French Government in favour of middle-income sub-Saharan countries, the scope of the debt problem necessitated a global approach. For that reason, his delegation supported the convening of an international conference on the financing of development and the establishment of an advisory commission on debt and development, to ensure that developing countries were furnished with the necessary supplementary financial resources both to revitalize their economies and to set in motion a process of sustainable development consistent with the decisions of the United Nations Conference on Environment and Development.

The meeting rose at 12.40 p.m.

UNITED NATIONS
General Assembly
FORTY-SEVENTH SESSION
Official Records

SECOND COMMITTEE
20th meeting
held on
Friday, 23 October 1992
at 3 p.m.
New York

SUMMARY RECORD OF THE 20th MEETING

Chairman:	Miss DIOP (Vice-Chairman)	(Senegal)
later:	Mr. PIRIZ BALLON (Chairman)	(Uruguay)
later:	Miss DIOP (Vice-Chairman)	(Senegal)

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AGENDA ITEM 82: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

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In the absence of Mr. Piriz Ballón (Uruguay), Miss Diop (Senegal), Vice Chairman, took the Chair.

The meeting was called to order at 3.30 p.m.

AGENDA ITEM 82: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued) (A/47/82, A/47/83, A/47/225-S/23998, A/47/312-S/24238, A/47/344, A/47/351-S/24357, A/47/375-S/24429, A/47/396, A/47/499, A/C.2/47/L.4)

1. Mr. SILALAHI (Indonesia) said that the developing countries were hampered by an unfavourable economic environment characterized by, inter alia, inadequate access to technology, unabated protectionism, low prices for commodities and raw materials and severely contracted financial flows. The excessive indebtedness of the developing countries had led to the reverse flow of resources from the developing world to the developed countries. Over the past 10 years, the magnitude of the debt had doubled, seriously inhibiting growth and development.

2. His delegation wished to reiterate the urgent need for a comprehensive and durable solution that would not hamper development. The process should involve the debtor countries, the developed creditor countries and the financial institutions. His delegation welcomed the proposals to write off part of the bilateral public debt of the least developed countries. The various debt-relief approaches should be broadened to cover all types of debt and all categories of debtor countries. Special consideration should be given to those countries which had met their debt obligations in a timely manner.

3. The developed countries should strive to reduce interest rates and maintain stable exchange rates, thereby inducing non-inflationary growth. They should also increase the net transfer of concessional resources to the developing countries, so as to enable them to finance economic and social projects. It was essential that the multilateral trading system should be expanded and liberalized. Unless there was a successful and balanced outcome to the Uruguay Round, the developing countries would not be able to service their debt.

4. Indonesia had embarked upon structural adjustment programmes by introducing a financial deregulation package in 1988, which had resulted in substantial credit inflows but had at the same time increased the level of indebtedness. The Government had therefore had to install a mechanism to coordinate international borrowing and to set a ceiling for new foreign borrowing. Indonesia's experience suggested that, rather than mechanically applying external solutions, each country should itself initiate the policy steps required to achieve the necessary restructuring and reform. In any event, whatever measures were applied should be part of a comprehensive plan and should have the support of the international community.

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5. Mr. JOMAA (Tunisia) said that his delegation fully endorsed the views expressed on behalf of the Group of 77 by the representative of Pakistan. The external indebtedness of the developing countries was one of the main obstacles to the flow of financial resources which was needed for the revitalization of economic growth and development. As the Secretary-General had pointed out in his report, the total stock of external debt of the developing countries at the end of 1991 had been virtually the same as in 1990. Over the past two years, the net flow of financial resources to the developing countries had improved slightly, but was still negligible.

6. In recent years, a variety of debt-reduction measures had been proposed, but the results obtained were far from satisfactory and had not benefited all countries. That situation had particularly affected the middle-income countries, including Tunisia, which had a limited capacity for investing in economic and social development even though it had continued to meet its obligations and protect its creditworthiness and solvency. Tunisia had taken various steps to increase domestic savings, for instance, by liberalizing the financial sector, restructuring the stock exchange, reducing non-productive expenditures and introducing a value-added tax and a new income-tax system, in order to limit the use of external resources and allow for investments in areas considered essential. Any permanent solution to the debt problem would require a reduction in the overall volume and in the servicing of all types of debt for all categories of debtor countries. The report of the Secretary-General should have addressed the situation of middle-income debtor countries in the same way it had dealt with the situation of heavily indebted countries. He hoped that the following year's report would remedy that omission.

7. His delegation was in favour of writing off, in full or in part, the public debt of the least developed countries, limiting the public debt service of the middle-income countries to between 15 and 25 per cent of export revenues, and setting up a special fund, supplied by the proceeds of debt servicing and earmarked for development projects, that would help to create jobs and thus reduce migration flows. Tunisia was also in favour of debt-for-nature swaps. The creditor countries, the multilateral financial institutions and the commercial banks should focus their attention on the debt problem and begin discussions with the debtor countries, bearing in mind all the issues involved.

8. Mr. LAOUARI (Algeria) said that one of the most disturbing aspects of the world economic situation was the aggravation of the external debt problem of the developing countries. The indebtedness of those countries had created a significant net transfer of resources to the developed countries. Although some heavily indebted countries had received a net positive transfer, the situation had not improved in most of the lower income countries. Debt servicing absorbed a substantial proportion of the developing countries' resources, and thus jeopardized their economic growth. It also contributed to capital flight, thus increasing dependence and setting back economic and social development. The problem was especially acute in Africa, where the

(Mr. Laouari, Algeria)

ratio of debt to GNP was the highest among the developing country regions. Several African countries had tried to introduce far-reaching economic reforms in order to revitalize their economies, but, because of the unfavourable economic environment, their stabilization and adjustment programmes had fallen far below expectations.

9. The debt situation posed a serious political problem with regard to current international economic relations. As the Secretary-General had stated in his report, it remained to be seen whether the new agreements would in fact eliminate the debt overhang and whether a sufficient number of countries would be able to take advantage of them. It was extremely important that the debtor countries, the creditor countries and the multilateral financial institutions should find a rapid, innovative, lasting and global solution with regard to all types of debt and all categories of debtor countries. Special attention must be paid to those countries which, despite the unfavourable external environment, were meeting their debt obligations in a timely manner. In that regard, his delegation fully supported the Secretary-General's proposal for the convening of an international conference on the financing of development. Any solution to the external debt problem would call for a substantial improvement in the international economic environment and, in particular, the strengthening and liberalization of the multilateral trade system and the early conclusion of the Uruguay Round of negotiations. In addition, steps should be taken to revitalize the commodity export sector at more favourable prices.

10. Mr. Piriz Ballon (Uruguay) took the Chair.

11. Mr. KABIR (Bangladesh) said that the external debt of the developing countries had reached the staggering figure of $1,300 billion by the end of 1991 and that the servicing of that debt had resulted in a net outflow of resources. Despite the adoption of rigorous stabilization and structural adjustment programmes, the burden of debt and debt servicing was impeding growth and development in the developing countries and was, in many cases, giving rise to stagnation or even retrogression. Moreover, those reforms and associated economic measures had forced the developing countries to reduce investment and social expenditure, a decision that had had serious consequences for their education, health care and poverty-alleviation programmes and had caused a permanent deterioration in the standard of living of their peoples, as clearly noted in paragraph 25 of document A/47/396. While the overall situation had not improved much, there was no doubt that the debt burden imposed by their debt and its servicing was particularly onerous for the least developed countries, as it represented 60 per cent of their gross domestic product (GDP) and absorbed from 30 to 50 per cent of their export earnings.

12. Solving that chronic problem of the developing countries required innovative approaches, and his delegation wished to underscore the importance of seven measures which might lead to a durable and comprehensive solution:

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reactivation of growth through increased productive investment; an integrated approach, involving Governments and commercial and multilateral institutions; wider access to developed-country markets; debt relief measures for the heavily indebted least developed countries; broadening the scope and accelerating the pace of such conversion procedures as the swapping of debt for equity, for protection of natural resources or for development financing; a review of the limitations of the Toronto terms and rapid implementation of the Paris Club decisions; and cancellation of the official development assistance debts of the least developed countries, either independently or in accordance with Trade and Development Board resolution 165 (S-IX).

13. Bangladesh deeply appreciated the proposals made in 1990 by the Netherlands and the United Kingdom at the Second United Nations Conference on the Least Developed Countries and at the Meeting of Commonwealth Finance Ministers. The Netherlands had called for the cancellation of all official bilateral debt of the least developed countries and the United Kingdom had proposed renegotiation of all outstanding eligible debt in a single operation rather than in tranches, cancellation of two thirds of that debt and the rescheduling of the remainder over 25 years.

14. The international community, in particular the developed countries, should recognize the need to assist developing countries in such basic areas as trade, commodity prices and market access, since economic growth was largely dependent on the status of those factors. Finally, he hoped that the Uruguay Round of multilateral trade negotiations would be concluded successfully, having taken due account of the special situation of the least developed countries.

15. Mr. RAKOTONAIVO (Madagascar) said that the international community continued to be concerned about the external debt of the developing countries. By the end of 1991 the total stock of that debt had reached the unprecedented amount of $1,260 billion. The share of official debt had also increased from 35 per cent of the total debt in 1982 to 46 per cent in 1991. The problem of commercial debt was still unresolved, and total debt servicing was increasing as a result of the payment of back interest.

16. The debt burden of the sub-Saharan African countries, measured as a percentage of their gross national product (GNP), had not shown any decrease. The debt service-to-export ratio continued to rise, owing to low export earnings weakened by the steady downward trend in commodity prices. The combination of excessively high debt-service payments and essential but onerous structural adjustment programmes had engendered serious economic and social consequences which continued to hinder development in nearly all third-world countries.

17. The generally accepted strategy of solving the debt problem through debt reduction was based on principles of unquestionable validity: shared responsibility, political dialogue and a willingness to recognize the need for

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(Mr. Rakotonaivo, Madagascar)

growth and the limits to debtor countries' actual capacity to meet their debt obigations. It was, therefore, vital to widen and strengthen the many multilateral initiatives, such as so-called Toronto, Houston or Trinidad terms, the Dakar and La Baule initiatives, the Baker and Brady Plans and the measures adopted by the Paris Club, the World Bank and the International Monetary Fund (IMF) in favour of the heavily indebted low-income countries.

18. Although significant and positive, those measures could only provide a partial solution to the overall problem. The marginality of their effects, the restrictions imposed, selectivity in offering credits and in choosing beneficiary countries, the slow pace of negotiatons and, above all, the limited financial resources provided were matters of concern. The experience of 1991 confirmed those fears: new inflows of capital had served basically to convert or cancel arrears and had not been accompanied by direct investments with real impact; interest rates had risen and donors continued to lack confidence; the margin for manoeuvring had been limited by the Paris Club, and the granting of concessional terms, in accordance with the Trinidad formula, continued to be linked to new conditions.

19. It was becoming increasingly clear that international debt-reduction strategies would have no impact without additional external resources that did not give rise to more debt. Evaluation of the capital input needed to resolve the crisis was a fundamental task, which could be carried out at the international conference on the financing of development to be held in the near future. His delegation wished to stress once again the urgent need to adopt special measures which took due account of the joint position on external debt adopted in 1987 by the Heads of African States, the countries that were undoubtedly the hardest hit. In conclusion, he noted that the basic function of the United Nations, and of the Second Committee in particular, was not only to propose sound ideas but also to foster the development of an innovative and bold attitude conducive to the adoption of appropriate measures at the various stages of negotiation. Once again, the success of that undertaking would depend on the capacity and political will of the Governments and institutions responsible for applying jointly agreed principles.

20. Mr. MARUYAMA (Japan) said that although the total stock of external debt of the capital-importing developing countries, which had risen to $1,260 billion by the end of 1991, had changed little over the last five years, other indicators showed that the debt problem had been easing in the developing countries as a whole. From 1987 to 1991, the ratio of external debt to GNP and to exports had declined from 50 to 36 per cent and from 186 to 133 per cent respectively. Likewise, the ratio of debt servicing to exports had fallen from 22 to 16 per cent.

21. Africa, however, presented a different picture. Although the debt-to-export ratio had declined from 325 per cent in 1987 to 260 per cent in 1991, the debt service-to-export ratio had remained virtually unchanged and the debt-to-GNP ratio had increased slightly. It should be noted in that

(Mr. Maruyama, Japan)

regard that in 1991 the 4 per cent increase in the volume of African exports had been offset by a 9 per cent decline in export unit prices and that, consequently, export earnings had fallen by 6 per cent. In sub-Saharan Africa, the last five years had witnessed a continuing rise in the debt-to-GNP ratio (105 per cent) and in the debt-to-export ratio (376 per cent), even though the debt service-to-export ratio had decreased from 24 to 19 per cent.

22. The situation in Asia and Latin America, on the other hand had improved from 1987 to 1991. In the Latin American region in particular, there had been significant progress: the ratio of debt to GNP and to exports had fallen from 64 per cent to 37 per cent and from 389 per cent to 281 per cent respectively. The ratio of debt service to exports had also improved markedly from 38 per cent to 29 per cent. The inflation rate had decreased from more than 1,700 per cent in 1990 to about 200 per cent in 1991. The region's GNP had risen by 3 per cent in 1991 and per capita income had grown for the first time in a decade. In 1991, the total net transfer had changed from negative to positive for the first time since 1982, increasing by about $20 billion from -$16 billion in 1990 to over $4 billion in 1991. Net direct investment had also increased from $200 million in 1990 to $4 billion in 1991. That favourable development had contributed significantly to increase the total net transfer of financial resources to all developing countries to $33 billion. The reasons for that change included the tremendous efforts by the indebted countries of the region which, despite political, economic and social difficulties had introduced far-reaching reforms in their economies which were gradually restoring market confidence. Such reforms covered trade and investment liberalization, the restructuring or privatization of public enterprises, the stabilization, or at least reduction, of inflationary pressures, the improvement of fiscal balances and a revitalization of economic activity.

23. Although debt must be either restructured or reduced in order to solve the external debt problem, the most important step was the adoption by debtor countries of appropriate economic policies and self-help efforts which could even help to resolve their social problems. Such efforts by the developing countries must also be supported by a coherent international strategy and a favourable economic environment. However, the economic performance of developed countries in 1991 had not been very helpful in that respect. The growth rate of the industrial economies' aggregate output had declined from 2.5 per cent to less than 1 per cent, and the import growth rate had fallen from 5 per cent to 3 per cent. It was therefore imperative that the developed countries should achieve economic recovery through balanced and appropriate monetary and fiscal policies and that the Uruguay Round of GATT negotiations should be brought to a successful conclusion.

24. There had been significant progress in implementing the international debt strategy in the area of commercial debt. Assistance was being provided to 12 countries which together accounted for more than 90 per cent of the commercial bank debt of major debtor countries. With regard to official debt,

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(Mr. Maruyama, Japan)

the Paris Club, which had extended the Toronto terms to the poorest countries since 1988, had begun to extend more concessional enhanced terms to them since 1991. Seven countries - Benin, Bolivia, Nicaragua, Togo, Uganda, the United Republic of Tanzania and Zambia - were currently benefiting under the new scheme. The problem of heavily indebted lower-middle-income countries was being addressed under the Houston terms, and the Paris Club was urged to consider the special situation of those countries on a case-by-case basis. The United Nations could play a key role in that process by continuously reviewing the development of the debt problem, providing political support for the debt strategies and sending a clear message to the Governments and institutions involved as to how they should proceed.

25. Mr. BANGALI (Sierra Leone) said that the external debt and debt servicing continued to hamper the economic growth of developing countries and prevented them from attaining their development objectives, causing the population misery and suffering. The problem was further compounded by the unfavourable global economic environment marked by adverse terms of trade and a drastic decline in commodity prices.

26. Sierra Leone's economy had been declining since the beginning of the 1980s. The deterioration in growth rates and the increase in government expenditures had resulted in substantial budget deficits, and the excessive borrowing by the Government to finance the deficit had aggravated the problem. There had been a marked drop in foreign exchange reserves from $47 million in the late 1970s to $6 million 10 years later. All those factors had led to an erosion in the international community's confidence and in the country's own confidence in its ability to overcome the crisis. Meanwhile, Sierra Leone's entire infrastructure and its population's standard of living had deteriorated seriously.

27. In view of the cumbersome economic burden it had inherited, the new Government, the National Provisional Ruling Council, had endorsed the Rights to Accumulation Programme established by the IMF at the initiation of the previous regime. The new Government had demonstrated by its actions its commitment to fulfilling the objectives of the Programme, namely, to reverse the decline in economic performance by applying measures of good governance and transparency that involved stabilizing the economy, improving resource allocation, strengthening the external payments position and reinforcing fiscal discipline in order to control inflation.

28. However, in order to achieve those objectives, the support of the international community for debt-service reduction was needed. International financial markets were increasingly recognizing the creditworthiness of the heavily indebted countries, and the Paris Club had adopted new and more concessional terms for debt restructuring. Sierra Leone endorsed the Swedish recommendation for debt relief of up to 80 per cent for the most affected countries and appealed to the international community to implement that recommendation.

(Mr. Bangali, Sierra Leone)

29. The loss of substantial amounts of export income incurred by developing countries as a result of obstacles to trade in international markets had weakened the ability of those countries to obtain sufficient resources to repay their debts. Therefore, Sierra Leone called for the elimination of all protectionist policies and the further opening up of markets to exports from the developing world. Sierra Leone appealed to the international community to continue to assist in the rebuilding of the country and in its efforts to achieve sustainable economic growth. He also wished to thank Germany, China and Japan for the assistance they had rendered to Sierra Leone through the partial cancellation of its commercial debt to those countries.

30. Mr. NAADJIE (Ghana) said that the debt crisis, a manifestation of the inequities in the structure of the world economy, had ultimately led to a recognition of the interdependence of the world economy and of the fact that the crisis had as much impact on debtor countries as on creditor countries. Developed and developing countries needed each other to survive the world recession. The granting of loans was not an act of philanthropy but rather an essential part of international trade which served the interests of creditor and debtor alike, since it increased the demand for goods and services in the creditor country, thereby increasing productivity and helping to realize national development programme objectives.

31. Yet despite the politically and socially costly economic measures adopted by many developing countries, constraints in the international environment had undermined the capacity of those countries to service their debts and had led to the debt crisis. Measures by the international community such as the Baker, Brady and Toronto Plans had provided only temporary relief. Techniques such as debt-for-equity swaps, debt buy-backs and the use of debt for the establishment of export-oriented joint ventures, for environment schemes and for poverty alleviation could improve the debt situation.

32. Long-term debt of developing countries was estimated to have reached $1,000 billion by the end of 1991, 51 per cent of which was owed to official creditors, and 30 per cent to bilateral creditors. The long-term debt rescheduled by the low-income countries through the Paris Club represented between 25 per cent and 50 per cent of their total debt. Rescheduling and debt and debt-service reductions would no doubt help to alleviate those countries' debt problem, but, as the Group of 77 had stated, a comprehensive and durable solution taking account of all types of debt and all categories of countries must be sought.

33. The debt crisis continued to hamper the economic recovery and growth of Africa. Africa's debt was less than 25 per cent of the developing world's total debt, yet, in the light of the fragility of the continent's economies, that represented a far heavier burden, equivalent to 90 per cent of the continent's gross national product, and 112 per cent in the case of sub-Saharan Africa. Africa's debt-servicing amounted to $272 billion, accounting for nearly 30 per cent of its export earnings. It was thus

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(Mr. Naadjie, Ghana)

essential to tackle Africa's external debt problem, and in order to do so it was indispensable to improve the African countries' terms of trade.

34. Although the fall in interest rates applied to the debt had meant substantial savings for many countries, it must be emphasized that such a decline might eventually affect demand for exports, as was shown by the considerable reduction in the purchasing power of those exports in spite of the significant increase in their volume. The relationship between trade, debt and finance was crucial to the capacity of debtor countries to repay loans. Trade was the most important international factor determining the prospects of any country, particularly those whose currency was not convertible, of emerging from a debt crisis.

35. His delegation was convinced of the need to convene an international conference on the debt crisis as early as possible. To argue that the holding of such a conference would adversely affect the inflow of resources to developing countries was tantamount to favouring a palliative rather than a cure. Unless the current international trade and finance regimes were restructured, the debt crisis would only deepen. Long-term solutions were preferable to short-term remedies. The interdependent nature of the world economy required an approach to the debt crisis that would benefit both creditor and debtor countries, as well as a restructuring of the international economic system to facilitate integration of developing countries in the world economy.

36. Mr. GOUMENNY (Ukraine) said that, in spite of the positive measures adopted in the international financial market to relieve the acute debt problem, such as the rescheduling and reduction of debt and the adoption of new concessional terms for the heavily indebted low-income countries undertaking economic adjustment programmes, there was still a considerable gap between rhetoric and concrete action. In the world financial system it was increasingly recognized that application of partial and isolated measures was not sufficient to alleviate the debt burden and that the indebted countries needed a respite in order to mobilize their resources and carry out necessary structural adjustments. The international community must step up its efforts to make more effective use of multilateral mechanisms to solve that problem, and must also consider creating a structure that would make it possible to prevent major monetary shocks in the future, or at least to alleviate their consequences.

37. The disintegration of the former Soviet Union had not been a spontaneous phenomenon, but the result of a build-up of social, economic, cultural and development problems in its constituent nations. Ukraine, which had inherited the consequences of 70 years of a bankrupt totalitarian administrative system, including the grave problem of the external debt, recognized the significance of an interdependent world and was aware that a condition for its integration in the world economy was that it should guarantee the servicing and payment of its share in the former Soviet Union's debt, which, under the terms of the

(Mr. Goumenny, Ukraine)

agreement reached by the Republics in 1991, amounted to 16.37 per cent of the total debt. Any solution to the problem of the former Soviet Union's external debt must take into account the economic situation of the former Soviet Republics. The parties involved must determine the exact amount of the former Soviet Union's financial assets, obligations and gold reserves, so as to avoid imposing an excessive burden on future generations.

38. In view of the fact that Ukraine was in the throes of economic and political transformation, it was essential that the credits previously granted to it should be extended until such time as economic stability was achieved and the effects of external financial and technological aid became apparent in the economy. In that connection, his delegation took an optimistic view of the negotiations by the Paris Club, and of the increasing recognition by the international community and the main creditors of the need to reschedule the debt of the former Soviet Union. The Government and the National Bank of Ukraine had established the necessary guarantees to ensure that the resources received would have a positive impact on the current reforms. Finally, in the light of the fact that Ukraine had always sought, and would continue to seek, ways of resolving those countries' economic crisis and overcoming underdevelopment, it bore noting that the developing countries' debt to Ukraine was no less substantial than Ukraine's debt to the developed countries.

39. Mr. CAMPOS QUIROGA (Chile) acknowledged the progress that had been achieved through application of various more pragmatic mechanisms and criteria for debt renegotiation. However, he noted that the debt still constituted one of the most serious obstacles to the recovery of growth and development levels. The increase that had taken place in financial flows and foreign investment was directed towards those countries with the highest indices of economic recovery and the best growth prospects, while the countries needing most support remained on the fringes of that process. The increase in foreign investment might thus be interpreted as the result of the application of market mechanisms, rather than as the consequence of political actions taken in fulfilment of declarations and undertakings intended to mitigate the effects of the crisis.

40. It was a matter for concern that a considerable part of some Latin American countries' debt had been paid from the proceeds of the privatization of major State enterprises. When those sources of income dried up, new payment crises might arise. Furthermore, the social costs of debt servicing had led to tensions that were compelling countries to reallocate to social expenditure part of the resources earmarked for debt servicing. Resumption of the growth rate was an urgent priority. In that regard, the objective set forth in General Assembly resolution 46/148, of creating a favourable international economic environment, remained fully valid; all that was lacking was the political will to put it into practice.

41. Generalized application to the least developed countries of the various proposals made by the developed countries, such as, for example, the Trinidad

(Mr. Campos Quiroga, Chile)

terms, might constitute a significant advance in the case of the African countries. Within the framework of the consensus that had been achieved, it was necessary to accept the need to foster global renegotiations with a lowering of interest rates and forgiveness of a significant portion of the debt. The external debt problem was not simply a confrontation between debtors and creditors, but a situation requiring an international effort of solidarity. Particularly noteworthy in that regard was the debt-for-nature initiative, which might ease the crisis, not only by lessening the developing countries' current financial problems, but also by guaranteeing the preservation of a healthy environment for all the inhabitants of the planet.

42. Mrs. Diop, (Senegal), Vice-Chairman, resumed the Chair.

43. Mr. AMAZIANE (Morocco) said that the three factors impeding the sustainable growth of the world economy were the inadequate coordination of the macroeconomic and financial policies of the industrialized countries in an increasingly more interdependent world, the difficulties involved in establishing an open and transparent multilateral trade system and the external debt problem of the developing countries.

44. In 1991, the volume of debt of the developing countries had been at the same level as in 1990, since new loans had been offset by debt conversion and relief, clearance of arrears and exchange-rate fluctuations. World debt indicators also had not changed significantly. However, the world figures hid significant regional differences. In Africa, for example, the renegotiation of interest rates, the granting of new loans and weaker exports had caused the debt burden to increase. Generally speaking, there had been positive developments on the international economic scene that would prove beneficial to the economies of the developing countries: the decline in interest rates on debt and the increase in the net transfer of resources to those countries. Nevertheless, it must be borne in mind that interest rates probably would rise once the economy of the United States emerged from the current recession and the losses occasioned by the deterioration in the terms of trade had wiped out 50 per cent of the transfers to which he had referred, which definitively demonstrated that the international trading system was a determining factor in the solution of the debt crisis.

45. The international debt strategy had brought improvements in 1991, as a result of the new set of concessional terms approved by the Paris Club to benefit low-income countries and the debt-reduction and debt-servicing agreements reached between nine heavily indebted middle-income developing countries and commercial banks. Even so, that improvement was far below the level envisaged in the Trinidad terms designed to reduce the indebtedness of poor countries by two-thirds, or in the Netherlands proposal to cancel the official bilateral debt of those countries. It also was a matter of concern that the fact that a country was poverty-stricken and faced severe economic and financial problems had not always been taken into account in determining the level of relief provided by its creditors, but rather, that political

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(Mr. Amaziane, Morocco)

considerations had predominated. The debt strategy for the heavily indebted countries should be readjusted and linked more closely to their access to new sources of public or private financing and direct investment.

46. In order to facilitate the reintegration of those countries in the international financial market, the accounting and banking control standards of the industrialized countries must not unduly limit the access of debtor developing countries to new loans or excessively increase the cost of financing. Developing countries which had improved their ability to pay and had returned to the international financial markets now were being punished by exorbitant interest rates on new loans because they supposedly were a greater risk.

47. With regard to multilateral debt, the measures adopted by the International Monetary Fund (IMF) to resolve the problem of arrears did not compensate for the absence of a mechanism to restructure debt with multilateral creditors. It was undeniable that the debt burden continued to be overwhelming for many countries. In many cases, public and private creditors had acknowledged the need significantly to reduce debt in the light of the rigorous adjustment programmes adopted by countries. The international community must adopt measures to benefit all debtor countries which implemented rational adjustment criteria.

48. Since 1983 his country had been following a macroeconomic and structural adjustment policy which had enabled it to reduce internal and external imbalances, strengthen its productive sector and improve the standard of living of its population. As a result of those efforts, it now was in a better position to restore financial viability, do without IMF resources and halt the rescheduling cycle. Nevertheless, it would press on with its restructuring efforts and with the implementation of an austere economic and financial policy, assigning the highest priority to employment issues and to the development of human resources.

49. Mr. OLISEMEKA (Nigeria) said that during the 10 years which had elapsed since the beginning of the debt crisis, substantial progress had been made in the definition of the problem and in the search for solutions. Considerable progress also had been registered as a result of national and international action to prevent serious damage to the international financial system; relations between middle-income developing countries and their creditors had substantially improved, and sustained official financial support on concessional terms had complemented the very limited domestic savings of the poorest countries and enabled them to meet their basic import needs. However, the debt crisis was far from over for more than 40 developing countries. Although the heavily indebted countries - mostly in sub-Saharan Africa - had received strong official support, on the average they allocated one quarter of their export income to debt servicing, which enabled them to pay only half the scheduled amount. For many of those countries, external viability depended on

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(Mr. Olisemeka, Nigeria)

write-offs of part of their debt. As to the remaining heavily indebted middle-income countries, the objective remained to restore access to private international capital markets.

50. The debt overhang of the African countries constituted a significant obstacle to their prospects for development. Heavy debt-servicing obligations discouraged private investors and government reformers alike and substantially hampered their efforts to make adjustments. Accordingly, a reduction in debt payments would constitute the most cost-effective form of official external resource transfer to Africa in the 1990s.

51. It was time seriously to reconsider the appropriate institutional mechanisms for the provision of international financing to very low-income countries. The major need in those countries was for grants and long-term financing in support of long-term development programmes. In the case of very low-income or the least developed countries, it might be preferable to introduce new financing arrangements into the long-term programmes of the World Bank and other donors, thereby relieving the International Monetary Fund of its aid role so that it could better carry out its role as a source of technical advice on monetary matters.

52. In conclusion, in the current circumstances, only a comprehensive and durable solution to the external debt problem which took into account the need to reduce the stock and service of all types of debt for all categories of debtor countries would help alleviate that burden of the developing countries. In the absence of such measures, the efforts of the developed countries to accelerate their growth would fail, thereby increasing the risk of social and political turmoil.

53. Mr. OSSA (Director of the Development Policy and Analysis Division) said that the discussion of the debt situation in the developing countries had been very heartening, particularly bearing in mind the contentious nature of the debate in earlier years. The exchange of views on the subject was a reminder of the complicated debt situation which had recently emerged in some of the economies in transition. The Secretariat would monitor that situation in various studies, in particular, the World Economic Survey.

54. The international debt strategy must continue to evolve. That had been acknowledged by the industrialized countries and by many developing countries which had made pragmatic proposals to resolve the debt problem. The proposals had called for further analysis and research, and several speakers had called attention to the situation of middle-income countries - whose debt was predominantly of an official character - which were making strenuous efforts to meet their financial obligations despite major economic difficulties. In addition, the representative of India had drawn attention to the effect of currency fluctuations on debt servicing. The representative of Japan had stated that the developing countries were adopting appropriate debt strategies and policies. They and the developed countries must work to consolidate and

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build on those achievements in order to reach new objectives. As Mr. Ji Chaouzhu, the Under-Secretary-General for Economic and Social Development, had stated, if the required efforts were made in the near future, the external debt overhang would be eliminated by mid-decade. Thus, external debt would cease to be a constraint and would again become an instrument to be used prudently to increase investments and accelerate development in all countries.

The meeting rose at 5.45 p.m.

UNITED NATIONS
General Assembly
FORTY-SEVENTH SESSION
Official Records

SECOND COMMITTEE
21st meeting
held on
Monday, 26 October 1992
at 10 a.m.
New York

SUMMARY RECORD OF THE 21st MEETING

Chairman: Mr. PIRIZ-BALLON (Uruguay)

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The meeting was called to order at 10.15 a.m.

AGENDA ITEM 83: OPERATIONAL ACTIVITIES FOR DEVELOPMENT (A/47/340, A/47/375-S/24429 and A/47/391)

(a) OPERATIONAL ACTIVITIES OF THE UNITED NATIONS SYSTEM (A/47/419 and Add.1 and 2)

(b) UNITED NATIONS DEVELOPMENT PROGRAMME (A/47/340; E/1992/28)

(c) UNITED NATIONS POPULATION FUND (A/47/312-S/24238; E/1992/28)

(d) UNITED NATIONS CHILDREN'S FUND (A/47/264-E/1992/71; E/1992/29)

(e) WORLD FOOD PROGRAMME

1. Mr. JI Chaozhu (Under-Secretary-General for Economic and Social Development), introducing the report on the triennial policy review of the operational activities for development of the United Nations system (A/47/419 and Add.1 and 2), said that the 1992 comprehensive policy review was being carried out in the context of a reform process which had resulted in the adoption of General Assembly decision 46/465 on strengthening the work of the United Nations in the field of operational activities and in the open-ended consultation process established during the 1992 session of the Economic and Social Council. That process covered such areas as the promotion of economic growth, the coordination of global macroeconomic policies and institutional reforms in the governance and financing of operational activities, and was closely linked with the triennial comprehensive review of operational activities, which focused on enhancing the delivery of the system's development cooperation at the country level.

2. The current momentum for reform offered an exceptional opportunity for the achievement of more effective operational activities. Improvements at the level of institutions and processes were an essential first step in securing increased financial support and optimizing the use of available resources for the development of developing countries. As the proposed reforms were designed to benefit those developing countries which relied most heavily on United Nations operational activities, he strongly welcomed dialogue on that subject. He hoped that the reforms would help to reverse the negative trends in the provision of resources to United Nations system activities. The funding levels of virtually all the Organization's funds and programmes were hardly keeping pace with inflation and the time had come for a systematic review of the whole issue of funding, with a view to identifying positive funding strategies.

3. The current comprehensive policy review of operational activities must address not only the manner in which operational activities were carried out, but also their objectives, bearing in mind the principles of Article 55 of the

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(Mr. Ji Chaozhu)

Charter, which identified effective international cooperation for the eradication of poverty as a precondition for the establishment of peace and stability. In addition, the follow-up to the 1992 Earth Summit would also have an important bearing on operational activities, while the system's increased focus on people-centred concerns and the growing interdisciplinary nature of its operational activities necessitated greater cooperation and coherence by all partners in the development process.

4. The assessment of operational activities contained in the report followed the principle, set forth in General Assembly resolution 44/211, that programme requirements at the country level should be the determining factor for the structure and composition of the United Nations system presence and that efforts should be made to enable the recipient Governments to exercise their management and coordination responsibilities and strengthen their national capacities. The report assessed numerous important initiatives launched at the country level to enhance the responsiveness and coherence of the United Nations system and demonstrated that they provided a solid basis for strengthening the resident coordinator system by expanding the application of the lead agency concept to specific programming tasks in priority areas under the overall leadership of the resident coordinator.

5. Important initiatives at the intergovernmental level included the new support cost arrangement adopted by the Governing Council of the United Nations Development Programme (UNDP). The targets established by resolution 44/211 were very ambitious, however, necessitating more time and greater resources than those originally allocated for their attainment.

6. At the recent session of the Advisory Committee on Coordination (ACC) deep concern had been expressed at reductions in levels of official development assistance and at the decline in project approvals, particularly with regard to UNDP-financed projects. Those developments had grave consequences for the agencies, impairing their ability to assist developing countries through technical cooperation programmes. Recalling the provisions of paragraph 9 of resolution 44/211, ACC had appealed to Governments to ensure a continuous and predictable level of resources to enable the system to fulfil its responsibilities in support of national development efforts and stressed the need to expedite approval of UNDP projects at a level consistent with available resources and to accelerate the effective implementation of successor arrangements for agency support costs.

7. The report contained specific suggestions for further action, guided by the provisions of resolution 44/211, the new requirements of developing countries and an assessment of the interrelated areas of programming, the resident coordinator system, decentralization, capacity-building and training. In respect of programming, the proposal for a United Nations system country strategy note could be translated rapidly into effective action at the country level with strong and consistent headquarters support and based on experience already acquired in a number of countries. In addition, recent

(Mr. Ji Chaozhu)

substantial agreements on concepts and modalities, reached both in the Consultative Committee on Substantive Questions (Operational Matters) and the Joint Consultative Group on Programming had assured increased application of the programme approach.

8. An effective resident coordinator system was a key factor in achieving a more coherent and cost-effective United Nations field presence, capable of providing integrated and substantive leadership in development cooperation and humanitarian assistance. To that end, resident coordinators required improved access to technical capacities both within and outside the system. Additional factors included the decentralization of capacity and delegation of authority, improved access to usable information and due consideration for the specific circumstances prevailing in each country.

9. At the country level, the resident coordinator must be supported by a team of qualified staff and consultants reflecting that country's priorities; flexible mechanisms were needed for the provision of interdisciplinary advice and operational support. Efforts to streamline and strengthen operational activities wherever feasible included the establishment of common premises within the context of the Joint Consultative Group on Programming, with a view to increasing the effectiveness of United Nations system cooperation while reducing administrative costs. At the same time, national capacity-building and the effective utilization of relevant national capacity in all phases of programme and project cycles remained a key objective, necessitating the further simplification of rules and procedures.

10. He drew attention to the addenda to the report, containing recommendations in the area of science and technology, statistical data on operational activities and information on the procurement activities of the United Nations system. In conclusion, he stressed the need for a practical action plan, building on the experience and momentum achieved thus far, and pledged his support for all endeavours to achieve more coherent and cooperative action at the country level.

11. Mr. DRAPER (Administrator of the United Nations Development Programme (UNDP)) said that reform and restructuring should not be used as a smokescreen to conceal the lack of agreement among Member States on global approaches to economic and social problems. The welcome disappearance of East-West tensions had been offset by the widening of the North-South divide, manifested in such phenomena as the increased protectionism practised by developed countries at a time when developing countries were being obliged to liberalize trade, the restricted and heavily conditioned lending from multilateral banking institutions, reduced aid from donor nations and the virtual cessation of international commercial bank lending and direct foreign investment in the poorest nations. In addition, many countries were being racked by civil war or struggling with the painful processes of political and economic transition.

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(Mr. Draper)

12. While the close interdependence of peace, security and development was universally recognized, and the role of the United Nations in peacemaking and peace-keeping had been considerably enhanced, its commitment to economic and social development lagged far behind. Peace could not endure in conditions of extreme proverty and, by corollary, development was impossible unless political conflicts were permanently resolved. He stressed the need, when considering the reform of the Organization, to keep in mind that developing countries could have little interest in a process which strengthened only the political side of the United Nations while allowing the tragedy of underdevelopment to persist.

13. Recognizing the multidimensional nature of the development process and the need for countries themselves to be its prime movers, the Organization was actively promoting national execution, in accordance with the provisions of resolution 44/211.

14. Among country-level, capacity-building measures, he stressed the need for the United Nations to help Governments to find culturally appropriate ways of curbing population growth and achieving ecologically sustainable development, in accordance with the principles of Agenda 21. In addition, Governments must be helped to strengthen and retain their human resource base and to identify their comparative advantages in the international marketplace, while providing social safety nets for their most vulnerable population sectors, particularly in the current conditions of economic austerity.

15. At the political and economic levels, the United Nations had an important role to play in assisting countries in their transition to democracy and free enterprise systems, while in disaster areas, relief and reconstruction efforts were necessary to pave the way for long-term development. The current reform of the United Nations aimed to institutionalize coordination at its highest levels while ensuring cost-effectiveness, thereby leading to greater synergy between the political and security-related activities of the Organization and those of relief, rehabilitation and development. To that end, a better division of labour and complementarity was being sought among the United Nations organs and agencies and between them and the Bretton Woods institutions in the areas of research, policy analysis and operations.

16. Efforts were required to reinforce the field network, ensuring that the collective knowledge and resources of the United Nations were pooled in a cost-effective manner, with an in-built early warning capability to prevent crises wherever possible. A coherent field-level approach would depend primarily on a single, integrated country strategy, a unified field office and a strengthened resident coordinator role.

17. An integrated United Nations country strategy, based on each country's development priorities and reflecting the Organization's global mandates, should be prepared by the United Nations development team under the leadership of the resident coordinator and in cooperation with the Government. The unified field office would comprise individual funds and programmes, with the

(Mr. Draper)

additional participation of the specialized agencies. Such integrated country offices had already been established in six of the newly independent States of the former Soviet Union. The exact composition of the country office should be flexible, expanding and contracting in accordance with the needs of individual countries, operating as a crisis management centre in times of conflict and as a development centre in times of peace. By drawing on the knowledge and experience of other organizations and bodies, the office would follow a multisectoral approach and function as a centre of excellence in human development. In the interests of streamlined administration and cost-effectiveness, the UNDP resident representative should also be the resident coordinator, heading the country office and reporting directly to the Secretary-General.

18. The primary aim of those reforms, which could be achieved with relatively minor adjustments to the existing system and by building on existing structures, must be to benefit the developing countries. At the same time, unless there were significant improvements in the system of governance and finance, with major increases in aid and a predictable flow of resources, any restructuring in the United Nations development system would amount to no more than a face-lift. Lastly, he stressed that restructuring the United Nations system for operational activities could not in itself solve the tremendous problems of the developing countries and that without freer trade, less pressure from population growth, fewer restrictions on private enterprise, an alleviation of the debt burden and well-coordinated international economic and monetary policies, its impact would be very limited.

19. Mr. GRANT (Executive Director of the United Nations Children's Fund (UNICEF)) said that, in order to take advantage of the new opportunities that had emerged since the end of the cold war, the United Nations must introduce major reforms and strengthen its ability to operate. At the international level, it must adopt a coherent strategy and set common goals. Agenda 21, the International Development Strategy for the Fourth United Nations Development Decade, and the World Summit for Children were building blocks for such common international strategies. At the same time, there was a need to create a capacity for system-wide governance that linked the analytical, normative and operational parts of the United Nations system. Such strengthened governance must be used to help restore the system's capacity to provide leadership to the entire international development community.

20. At the country level, policy objectives must be set by national Governments and supported by international policies. To implement those objectives, the United Nations system needed a country-level action plan that covered the operational activities of all United Nations agencies active in a given country. The Administrative Committee on Coordination (ACC) had fully accepted the detailed UNICEF proposal for a United Nations country strategy. The strategy would develop a unified response by the United Nations system to national plans and priorities and would help to identify key areas where that system had a comparative advantage and where a unified approach could enhance effectiveness.

(Mr. Grant)

21. The new substantive opportunities at the country level must be supported by strengthened inter-agency mechanisms. The ACC agreement on the United Nations country strategy gave the resident coordinator the authority to be fully involved in all projects and programmes. Those new arrangements applied to the activities of all organizations of the United Nations system, regardless of the source of funding, and covered both operational and analytical projects. Such new arrangements required a team approach, with the resident coordinator forming subgroups devoted to specific themes and chaired by the person best suited to the task.

22. UNICEF had proposed to its partners in the Joint Consultative Group on Policy that, over the next three years, UNICEF, UNDP, the World Food Programme (WFP), the United Nations Population Fund (UNFPA) and the International Fund for Agricultural Development (IFAD) should increase the number of their common premises from approximately 20 countries to approximately 100. In the recent past, the Joint Consultative Group on Policy had harmonized programme cycles around the cycle of Governments in one third of the countries that it served. UNICEF was committed to achieving harmonization in two thirds of the countries by 1993, and to developing plans to address the special needs of the remaining countries.

23. One strength of UNICEF was its decentralized structure. Eighty-five per cent of UNICEF staff were at the country level, and its country representatives had the authority to take most key decisions directly with their government counterparts. Such decentralized authority was practical only because the country representative was directly accountable to the Executive Director and Executive Board for carrying out established policies. Clear lines of management responsibility and accountability served both donors and recipients and must be maintained.

24. Since the needs of children were universally considered uncontroversial, the UNICEF representative had been given exceptional mandates for advocacy and for operating in all areas, and with all parties, during times of conflict. For the same reasons, recipient Governments gave UNICEF unprecedented freedom to work within their societies, and virtually all Governments supported its fund-raising activities, which amounted to approximately $200 million a year.

25. Success in operational activities required the mobilization of high-level political support for common goals and strategies. Summit meetings, such as the United Nations Conference on Environment and Development or the World Summit for Children, were vital to the achievement of political consensus. However, political commitments would not be fulfilled if the Economic and Social Council and the General Assembly were not able to play an active role in ensuring implementation and providing operational guidance.

26. The Secretary-General's report on the implementation of General Assembly resolution 45/217 on the World Summit for Children (A/47/264-E/1992/71) was most encouraging. Over 140 countries had prepared, or were preparing,

(Mr. Grant)

national programmes of action to achieve the goals of the Summit. Many developed countries had addressed the need to increase official development assistance, and developing countries had formulated plans to mobilize and restructure their efforts in order to achieve the goals of the Summit. Those goals had been constantly reaffirmed at other international meetings that had taken place since the preparation of the Secretary-General's report.

27. Mr. VAN ARENDONK (Deputy Executive Director (Programme) of the United Nations Population Fund (UNFPA)) said that, over the past two years, UNFPA had sought to strengthen the foundation that many developing countries had achieved in national self-reliance in the population field. In many cases, such self-reliance required more concerted efforts to institutionalize national capacity to implement population programmes. In pursuance of General Assembly resolution 44/211, UNFPA had continued to implement various measures, including more analytical and strategic programming procedures that promoted a comprehensive programme approach.

28. The Programme Review and Strategy Development Exercise that UNFPA conducted together with Governments placed emphasis on an analytical approach to the development of population programmes through the assessment of programme achievements and constraints and the subsequent preparation of an integrated strategic framework for a national population programme. UNFPA's reports on such exercises had been found useful by Governments and multilateral, bilateral and non-governmental organizations.

29. UNFPA's successor support cost arrangements were proceeding well and bringing technical support and advice closer to countries. Beginning in 1992, UNFPA had begun to establish country support teams that brought together high-level technical expertise from various sources. Eight country support teams would be functional by early 1993, and UNFPA was confident that the new mechanism would not only strengthen national capacity through the better and more timely provision of technical advice but would also help to promote complementarity of technical skills among agencies and make the best possible use of limited resources.

30. The approach of UNFPA to successor support cost arrangements was based on a holistic programme approach, decentralization and inter-agency coordination. Such arrangements strengthened the substantive technical expertise that countries received from the United Nations and its specialized agencies and introduced new elements, such as management advice, socio-cultural research and non-governmental participation.

31. UNFPA had continued to pay special attention to cooperation and coordination with all partner organizations. In particular, it had sought to improve coordination in the area of country programmes. UNFPA had also participated actively in a number of coordination mechanisms within the framework of ACC.

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(Mr. Van Arendonk)

32. The Joint Consultative Group on Policy was making noteworthy progress in a number of areas, including common premises, women in development and the synchronization of country programming cycles. However, much more is needed to be done to ensure real coordination of United Nations operational activities. The Joint Consultative Group provided a useful framework that needed to be expanded and strengthened so that effective coordination became the foundation of all programmes and activities.

33. The triennial comprehensive policy review of operational activities of the United Nations system showed that, while noteworthy efforts had been and were being made by countries in the United Nations system, progress towards achieving many of the major objectives of General Assembly resolution 44/211 was still limited. Further reform was necessary, and efforts should be made to establish clear criteria by which progress or lack of progress could be measured.

34. At the country level, priority should be given to strengthening the capacity of Governments to coordinate assistance, and to facilitating coordination by all possible means, as and when Governments requested it. Coordination and cooperation among operational organizations was essential. The resident coordinator, who should represent the entire United Nations system, should receive substantive guidance from a Secretariat unit located at the highest level. Such a Secretariat function might call for the re-establishment of the Office of the Director-General. While each of the operational organizations should have their own programme directors, they should give authority to the common United Nations representative for overall coordination. The selection of the resident coordinator must be a transparent process; resident coordinators should be well-qualified managers, with proven capacity for team-building and substantive development experience.

35. Any meaningful discussion of the effectiveness of operational activities must also address the issue of resource mobilization and stability of funding. Resources for population activities in developing countries lagged far behind actual needs. To reach global targets and to give all couples who desired it access to family planning would require a doubling of annual expenditure for population programmes, from the current amount of $4.5 billion to $9 billion annually by the year 2000.

36. The International Conference on Population and Development, to be held in Cairo in 1994, would be unique in that it would combine technical, policy and operational considerations in an unprecedented manner. Under the overall theme of population, sustained economic growth and sustainable development, the Conference would contribute to the implementation of Agenda 21 as well as promote awareness, mobilize resources and inspire concerted action during the decade and beyond.

37. Mr. ARORA (World Food Programme (WFP)) said that WFP, as the main provider of relief food aid and the major supplier of food aid for development, was the largest source in the United Nations for the transfer of grant resources to developing countries. In the past two years, its annual turnover had increased by 50 per cent, with most of the growth in operations outside the regular programme, including protracted refugee and displaced persons projects, international emergency food-reserve funded operations, special emergency operations, non-food items and bilateral operations. Food aid was increasingly being integrated with national development strategies. WFP had been responsible since January 1992 for providing all the basic commodities for refugee operations and mobilizing all funds required for their transport and delivery. Beginning in 1993, responsibility for the entire in-country movements of food for refugees would be transferred from the Office of the United Nations High Commissioner for Refugees to WFP.

38. Never before in the history of WFP had there been so many major emergencies occurring simultaneously, arising both from war and civil strife, and from drought and sudden natural disasters. The focus of the Programme's work was consequently shifting from development to relief, which had accounted for almost half of WFP food shipments in 1991. WFP also provided indispensable logistical support to complex relief operations such as the response to the drought emergency in southern Africa or the airlift operations in Somalia. The burgeoning need for relief food aid had posed exceptional challenges for the organization and its staff. Pursuant to General Assembly resolution 46/22, the membership of the Committee on Food Aid Policies and Programmes had been expanded to 42 members, with increased representation for developing countries. It currently exercised full intergovernmental supervision and direction for all aspects of the Programme, which now had its own financial regulations. The WFP Executive Director was now accountable to the Committee for all aspects of the Programme. He appealed for support to achieve the targets of US$ 1.5 billion for the forthcoming pledging conference for the 1993-1994 biennium.

39. Mr. ZAMAN (Pakistan), speaking on behalf of the Group of 77, said that the Secretary-General's report on the triennial comprehensive policy review (A/47/419) had noted the lack of progress made in the implementation of General Assembly resolution 44/211. The composite nature of the United Nations system encouraged competition rather than collaboration between its various organizations, and contradictory signals had been given. He therefore hoped that clear and operationally implementable guidance would be offered during the current triennial policy review exercise in order to eliminate a number of structural obstacles which diminished the impact of the funds received from the United Nations system in the developing countries.

40. The use of microprojects as the main modality for transferring technical knowledge had proved to be wasteful and had resulted in scattered initiatives, as well as unrelated and sometimes competing schemes. Termination of a project had usually been looked on as the final achievement of a major development objective instead of a beginning or a step in a long-term

(Mr. Zaman, Pakistan)

process. The project approach dealt with problems in isolation from other related factors and issues, which only a sector or subsector strategy could comprehensively reflect. The first stage of analysis should be a coherent government strategy which had projects as its final end products. The Group of 77 had therefore recommended a shift to the programme approach. With projects identified as components of a well-defined national strategy, it would be easy to measure the impact of a given project on the overall development of a country. In that way, only those activities which were really needed by the country would be funded and development would become more sustainable.

41. National execution should become the norm rather than the exception. The support cost system had become the single largest obstacle to capacity-building in developing countries by giving agencies a self-serving interest in grant funds. In that connection, he recalled the 1975 guidelines on new dimensions in technical cooperation which had encouraged a shift from the old concept whereby Governments provided counterpart funds to projects, to a system in which the United Nations assisted government programmes by making counterpart contributions. While use of that modality had increased somewhat, it was clear that incentives in the system did not allow it to become more widespread. A national strategy framework would allow recipient Governments to use each source of external assistance according to its comparative advantage. However, a number of structural changes needed to take place before developing countries were able to use the United Nations system according to its comparative advantage, and before the United Nations could deliver assistance within a programme approach framework. Resolution 44/211 had specifically highlighted changes required in programming, decentralization, rules and procedures and the need to develop more innovative execution modalities, as well as to rationalize field office structures through the establishment of multisectoral teams under the authority of the resident coordinator. Reports indicated that no significant changes had taken place in any of those areas since the adoption of the resolution, despite a three-year target. Those changes should be implemented immediately as part of an integrated package.

42. Some agencies had recently taken some steps in the direction of decentralization, but it was important for all United Nations funding agency representatives to have the same level of authority to take decisions at the country level, including the authority for programme development, cancelling, modifying and adding activities within the agreed overall programme goals, as well as shifting resources without reference to headquarters. Central authority was critical for integrated programme management and for the necessary flexibility to monitor and readjust activities as circumstances required. Headquarters should approve the overall programme rather than revisions of its components. It was important to understand that national strategies were necessarily multisectoral in nature, with funding from United Nations, bilateral and multilateral sources. In such cases, delays in the approval processes of one source would affect the coherent and coordinated

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(Mr. Zaman, Pakistan)

implementation of related components. His delegation was of the view that such decentralization would enhance accountability of resources. The shift to a programme approach should be accompanied by strategy evaluations rather than project evaluations, with stress being laid on programme impact rather than mere project delivery.

43. Regarding execution, the programme approach required integrated formulation, design, management and implementation. Programme management teams or task forces should be established and drawn from national institutions and multiple funding sources in order to ensure that execution was not shared between several United Nations agencies and sectoral ministries, but implemented and managed in a coordinated manner. The funding agency should be able to assist Governments in assembling multidisciplinary teams which had the best and most relevant expertise, and included national officials involved in management and implementation. It was also essential to harmonize and simplify formats for formulation, evaluation and monitoring. Current formats were designed for self-contained projects; they needed to be adjusted to take into account the programme approach in which the design of each component was interrelated with other multiple components.

44. The programme approach also required pools of technical expertise based in the field offices of funding agencies at the country level to assist Governments in programme development, constant monitoring and technical backstopping. The composition of staff in each funding agency should reflect the substantive and technical advisory needs of the country rather than the institutional structure of the United Nations system. Such pools should be managed by the resident coordinators in a multi-disciplinary manner in order to assist Governments in making cross-sectoral linkages among the strategies funded by the United Nations system. The pools should advise resident coordinators, funding agency representatives and national project managers. They should also provide advice, on request, to Governments regarding policy, strategy development, appraisal, implementation and monitoring. The assistance provided by the United Nations funding agencies to the Government, at its request, should be contained in a single United Nations system country programme document. He hoped that consensus could be reached on a resolution which ensured the most cost-effective and efficient use of resources and the coordinated implementation of programmes in accordance with the priorities determined by developing countries.

45. Mr. BARNETT (United Kingdom), speaking on behalf of the European Community and its member States, said there was broad agreement that the United Nations system needed to be revitalized to meet the changing circumstances of the 1990s and beyond. Such revitalization was already under way with regard to the Economic and Social Council and its complementarity with the General Assembly, follow-up to the United Nations Conference on Environment and Development and the United Nations development system. Governance and financing of that system would be dealt with in the context of the Economic and Social Council and not in the context of the triennial policy review. However, it would be a mistake to underestimate the importance of

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(Mr. Barnett, United Kingdom)

that review, which could and should make a serious contribution to improving the effectiveness of United Nations operational activities, notably at the field level. The European Community and its member States subscribed to the recommendations of the Secretary-General's triennial policy review report (A/47/419) regarding the need for strengthened coordination, a common country strategy and the importance of human development, to which the United Nations should give greater priority. The concept of human development offered a renewed basis for integrating sectoral inputs around common goals and strategies in support of national policies. It appeared that not all United Nations organizations fully shared the commitment to achieving the goals of resolution 44/211. The resolution was complex and subject to differences of interpretation. A major concern was the absence of a clear overall concept of how to improve the system.

46. Regarding the field structure of United Nations operational activities, the European Community and its member States agreed with the report that there was a need to strengthen the resident coordinator system, taking into account the specific circumstances of individual countries. The responsibilities of resident coordinators would need to embrace the coordination of operational activities, humanitarian affairs and other, non-development-related United Nations matters. The European Community and its member States agreed that there was a need to broaden the pool of qualified people from whom resident coordinators were selected, and concurred that coordinating bodies such as the Administrative Committee on Coordination (ACC), the Consultative Committee on Substantive Questions (Operational Activities) and the Joint Consultative Group on Policy should provide clearer guidance on the role and responsibilities of resident coordinators. They welcomed the fact that the Joint Consultative Group on Policy subgroup on common premises had been asked to prepare a plan for a significant increase in such premises in the coming two or three years. Resident coordinators should be persons of proven ability, and nationality should not play a part in their selection. They must be able to retain the confidence of all the representatives of the United Nations and other donors, and must be given the authority to formulate the response of the United Nations as a whole to recipient countries' national priorities. Lastly, they must be able to question and, if necessary, insist on the amendment of country programmes of individual funds and agencies if they were not properly integrated into other development activities. The roles and workload of the resident coordinator would vary considerably from country to country. However, any solution must include: a wider pool of, and purer criteria for, recruitment; broader-based funding from within the United Nations system for resident cordinators within existing resources; provision of the degree of independence necessary for them to carry out their functions; a more integrated and unified United Nations system approach at the field level, combined with greater commitment by individual agencies to coordination; greater responsbility of the resident coordinator for the planning and coordination of programmes; better coordination within individual agencies; and improved coordination at the Headquarters level, drawing upon the authoritiy of the Secretary-General and with strong backup from bodies such as ACC and the Joint Consultative Group on Policy.

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(Mr. Barnett, United Kingdom)

47. He reiterated the belief of the European Community and its member States that the Department of Economic and Social Development could not adequately perform both coordination functions and operational activities.

48. With respect to programming, the European Community and its member States welcomed in particular the adoption of a United Nations system common country strategy, which should provide for a more concerted and coherent approach. Such strategies should be based on a sensible division of labour within and between the funding bodies and the specialized agencies. The approach, which required corresponding commitments from Governments, should be implemented immediately in Eastern Europe and the former Soviet Union, and it was regrettable that there had been no progress to date on implementing the resolution on the subject adopted in the Economic and Social Council.

49. The adoption of the programme approach was an essential accompaniment to the integrated United Nations response. Full account must be taken of the circumstances of individual countries. The success of the approach required a genuinely shared understanding of its importance and greatly improved measures of goals and objectives, as well as the introduction of effective monitoring, evaluation and audit mechanisms.

50. As to national execution, it was UNDP's role to help develop national capacity to undertake programme and project management and execution. The European Community and its member States would welcome confirmation that the efforts of the United Nations resulted each year in an increasing role for national authorities and other entities, although they realized that many factors affected development.

51. The new support cost arrangements would foster the development of such capacity once they were fully operational, and UNDP should ensure their early implementation. The process would be further facilitated through the simplification and improved harmonization of United Nations procedures, leading to a common manual of regulations for all United Nations agencies and the strengthening of upstream functions such as policy advice.

52. Monitoring and evaluation were also of central importance and could not be left to national Governments alone. The record of the United Nations system in adapting its functioning to facilitate national execution thus far had been lamentable, and it was disappointing that the report contained no specific proposals to improve the situation. However, it was encouraging that some progress had been made in harmonizing United Nations budget cycles with those of recipient countries, and it would be interesting to learn why some agencies had found that easier to achieve than others.

53. The European Community and its member States broadly endorsed the report's conclusions concerning decentralization, but would have liked to see detailed accounts from all relevant United Nations bodies indicating the extent of their devolution of authority and concrete proposals for further

decentralization. It was particularly important that they devolve broadly similar approval authorities to the field. Proposals were needed for the transfer of appropriate authority to the resident representative from those funds and agencies without extensive field representation. Effective arrangements for ensuring greatly enhanced accountability also must be established as a matter of urgency.

54. The European Community and its member States welcomed the progress made in improving training in national execution, although major constraints to successful capacity-building remained. It was time to generate innovative approaches permitting national institutional expertise to be established and safeguarded, irrespective of the movement of individual personnel.

55. Some of the disappointment at the incomplete implementation of General Assembly resolution 44/211, which was perhaps too long, stemmed from an apparent lack of commitment in parts of the system. It was to be hoped that delegations would now resist the temptation to push individual concerns and concentrate instead on a small number of key areas of concern to all. The resolution to be adopted on the item at the current session should set achievable objectives which could be realized within a meaningful time-frame and should acknowledge that they could be achieved only with the support of both donors and recipients. The establishment of an international development segment of the Economic and Social Council to provide high-level policy guidance could also facilitate the task of monitoring, and providing stronger and more coordinated guidance to, the United Nations system.

56. The resolution on the triennial policy review should focus on ways to ensure a more integrated and unified field structure, including targets for the establishment of more common premises and a strengthened resident coordinator system along the lines he had indicated earlier. The resolution should promote the shift to the programme approach by requesting the agencies, in consultation with recipient Governments, to reach an early agreement on, inter alia, a common understanding of the main elements of the approach and how it should be implemented, the more effective provision of relevant support and technical assistance and common means of evaluation. The resolution should also introduce a single country programme document in a number of countries as a first step, and should seek to ensure that the system adapted to the changing role which would result from the move to national execution by placing greater emphasis on the provision of technical and policy support, more effective monitoring and evaluation and an integrated and practical approach to national capacity-building. The text should call for increasing decentralization of responsibility to the field, particularly in respect of project and programme approval and amendment, on the basis of clear programmes and stronger accountability; and, lastly, it should seek to improve the quantity and quality of training for United Nations staff and nationals using innovative methods at headquarters and in the field in such areas as the programme approach, national execution, support costs and the single country programme. The resolution should take fully into account the other reform exercises under way and should offer clear guidance on how to enhance the delivery of assistance.

57. Mr. O'BRIEN (New Zealand), speaking on behalf of the delegations of Canada and Australia as well as his own, said that efforts made thus far to strengthen the resident coordinator system had not had much of an impact on substantive programming issues. Accordingly, it was necessary, first, to define the selection process for and the role and responsibilities of the resident coordinator; secondly, to create a United Nations integrated country committee as the central coordinating body of the Organization in each recipient country; and, thirdly, to ensure that the common country strategy served as a major instrument for effecting coordination in the field. The individual programmes developed by each agency with the host Government would provide the foundation for the strategy.

58. All countries receiving significant levels of United Nations development assistance should have a resident coordinator, who should be appointed by the Secretary-General on the advice of a restructured development secretariat. The resident coordinator should have the responsibility for developing, implementing and enforcing a coherent, system-wide response to the needs of the country, making full use of the comparative advantages of each organization of the United Nations family. The Secretary-General should select the most suitable leader from among United Nations agencies operating within a country, taking full account of the country's expressed needs and circumstances. The resident coordinator system should be financed from the existing resources of the agencies working in the country concerned.

59. The integrated country committee, which should be chaired by the resident coordinator and comprise representatives of all the relevant United Nations development organizations and agencies, would have as its major responsibility the production of a common country strategy which would assess the country's major development requirements, issues and constraints and outline the strategic directions the United Nations system should follow in addressing those questions. The committee would ensure that the country programmes of the various agencies were consistent with the integrated country strategy. The integrated country committee should also review and make recommendations on all projects and programmes to be approved in the field and to be submitted to headquarters for approval, and should review agency sector strategies, evaluations and audits. Various committee members could also serve as chairpersons of teams investigating issues such as poverty reduction and AIDS that required a highly coordinated inter-agency response.

60. It was also necessary to decentralize the United Nations development system's activites to enhance the quality of performance at the field level. While increased delegation of authority must be accompanied by appropriate accountability measures, once unified United Nations field structures were in place, decisions taken at the field level by personnel fully familiar with local circumstances invariably would result in more effective and efficient results than decisions taken at centralized locations in industrialized countries.

(Mr. O'Brien, New Zealand)

61. Improved performance in the field was critically linked to effective governance and United Nations Secretariat support. The delegations on whose behalf he was speaking strongly supported the integration into the Economic and Social Council of the functions of the proposed international development council. The Economic and Social Council should provide policy guidance to UNDP, UNFPA, UNICEF and WFP. The Administrative Committee on Coordination and the specialized agencies should be brought within the framework of Council decisions. A clear division of labour must be established between the Council and the governing bodies of UNDP, UNFPA, UNICEF and WFP. The Economic and Social Council should concentrate on policy direction and coordination and play a major role in the assessment of the United Nations development system and its constituent institutions. Consideration should be given to whether responsibility for reviewing and approving common country strategies should be assigned to the Council. The governing bodies of UNDP, UNFPA, UNICEF and WFP should be given more focused mandates to concentrate on operational activities and ensure that their organizations adhered to Council policies. Their primary concern should be the formulation and implementation of high-quality programmes focusing particularly on human development and capacity-building. They should also consider and review reports on programmes and project evaluations and mid-term reviews of country programmes.

62. A restructured development secretariat with expertise in management planning and processes was essential to ensure that the Council's decisions were actually implemented and inter-agency coordination was truly achieved. The secretariat should have the research and analytical skills needed to facilitate its support for the Council's evaluation responsibilities.

63. While General Assembly resolution 44/211 continued to provide a solid basis for the reform of the development process, it was necessary continually to review and update the approach to its implementation. In particular, account must be taken of the results of the United Nations Conference on Environment and Development and the new partnership forged at the Eighth United Nations Conference on Trade and Development. The evolving role of the United Nations system in development must be factored into the current policy review. Developing countries must continue to have access to the technical capacity of the United Nations system, and the United Nations funding agencies would play an increasing role in policy support, programming and monitoring and evaluation. The United Nations should increase its role in national programme formulation at the request of recipient Governments and in accordance with capacity-building objectives by assisting in articulating such programmes. Collaborative programming by donors, international financial institutions and the United Nations system was particularly critical in smaller developing countries with limited capacity to coordinate external assistance. The programme approach should be accelerated, and recipient countries should be helped to apply the concept.

64. Monitoring and evaluation should focus on determining whether funded activities contributed to country programme objectives and the broader

sustainable development goals of the host Government. Development impact and sustainability should be the acid tests. The delegations on whose behalf he was speaking agreed that revised guidelines for monitoring and evaluation might usefully be devised, and they encouraged the development agencies to cooperate in establishing a uniform format for reporting the success rate of projects. The reporting system could be modelled on that currently operating in the development banks.

65. Much remained to be accomplished with respect to national capacity-building. International institutions must adopt a more coordinated and sustained approach that emphasized building human skills and strengthening national policies and institutions. Current procedures could be harmonized and simplified. The other proposals in the Secretary-General's report also merited consideration.

66. Mr. NIE Huahang (China) stressed the importance of a favourable external economic environment for world peace and for the development of the developing countries. While his delegation welcomed the fact that a number of developed countries had met or surpassed the target of providing 0.7 per cent of their gross national product in the form of official development assistance, the overall flow of official development aid had remained far below that level. It was to be hoped that the international community and the major developed countries in particular would increase their contributions for operational activities for development.

67. Rather than request all developing countries to adopt a single modality, the United Nations development agencies should fully respect the sovereignty of recipient countries when assisting them, at their request, in setting priorities for collaboration in the formulation of national development plans, and should refrain from getting involved in matters which should be dealt with by Governments themselves.

68. With regard to the programme approach, the lack of a precise definition of the term and the conceptual differences among the agencies and between their headquarters and field offices had adversely affected programming activities and had caused delays in programme and project approval procedures. Flexibility was essential, for the programme or project approach should be adopted only if it would facilitate the execution of country programmes. Arbitrary arrangements should be avoided.

69. His delegation welcomed the efforts made by the United Nations operational activities system with respect to national execution, personnel training and capacity-building. In certain agencies, various obstacles still resulted in the unsatisfactory implementation of resolutions. The agencies concerned should examine their approaches to implementing resolutions and focus their technical cooperation activities on promoting and strengthening national execution and national capacity-building. At the same time, national execution must not end up as field office execution by the agencies themselves.

(Mr. Nie Huahang, China)

70. Coordination at the country level should above all be the responsibility of the recipient countries. The process of strengthening the resident coordinator system should focus on coordination within the framework of operational activities in order to maximize input. The initial effort should be to coordinate and harmonize the programming cycles of all relevant agencies as far as possible, followed by the simplification and unification of procedures in order to enhance efficiency.

71. The decentralization efforts undertaken thus far still fell short of requirements. Field offices should be responsible for the arrangements for, and implementation of, approved country programmes and should have the authority to approve projects under those programmes, whereas the agency headquarters should primarily be in charge of approving programmes and coordinating operational policies.

72. His delegation hoped that in the coming few years General Assembly resolutions 44/211 and 46/219 would continue to be effectively and fully implemented.

The meeting rose at 12.55 p.m.

UNITED NATIONS

General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
22nd meeting
held on
Tuesday, 27 October 1992
at 3 p.m.
New York

SUMMARY RECORD OF THE 22nd MEETING

Chairman:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. GUERRERO (Vice-Chairman)	(Philippines)

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The meeting was called to order at 3.20 p.m.

AGENDA ITEM 105: PROGRAMME PLANNING (*continued*)

Draft decision A/C.2/47/L.8/Rev.1

1. The CHAIRMAN introduced a revised draft decision entitled "Proposed revisions to programme 16 (Environment) of the medium-term plan for the period 1992-1997", contained in document A/C.2/47/L.8/Rev.1, pursuant to the suggestion by the delegation of the United Kingdom of Great Britain and Northern Ireland that the text of the plan should be consistent with that of Agenda 21. The Committee had recommended that the revisions should take the form of a draft decision of the Chairman which, once adopted, would be transmitted to the Chairman of the Fifth Committee.

2. It was so decided.

AGENDA ITEM 84: INTERNATIONAL COOPERATION FOR ECONOMIC GROWTH AND DEVELOPMENT (continued)

(a) IMPLEMENTATION OF THE COMMITMENTS AND POLICIES AGREED UPON IN THE DECLARATION ON INTERNATIONAL ECONOMIC COOPERATION, IN PARTICULAR THE REVITALIZATION OF THE ECONOMIC GROWTH AND DEVELOPMENT OF THE DEVELOPING COUNTRIES (*continued*)

(b) IMPLEMENTATION OF THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE (*continued*)

Draft resolution A/C.2/47/L.9

3. Mr. SHAUKAT (Pakistan), speaking on behalf of the Group of 77, introduced draft resolution A/C.2/47/L.9, entitled "International cooperation for economic growth and development: (a) Implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of the Economic Growth and Development of the Developing Countries; (b) Implementation of the International Development Strategy for the Fourth United Nations Development Decade". He said that the text of the draft resolution did not exclude, but rather, complemented, the text of the Cartagena Commitment as well as that of the other programmes mentioned in the third preambular paragraph, and pointed out that at the beginning of that paragraph the words ",in this connection," should be inserted between "*Taking into account*" and "the Cartagena Commitment".

4. *Draft resolution A/C.2/47/L.9 was adopted as orally amended*.

5. *Mr. Guerrero, (Philippines), Vice-Chairman, took the Chair*.

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AGENDA ITEM 83: OPERATIONAL ACTIVITIES FOR DEVELOPMENT (continued) (A/47/340, A/47/375-S/24429, A/47/391, A/47/499, A/47/564)

(a) OPERATIONAL ACTIVITIES OF THE UNITED NATIONS SYSTEM (continued) (A/47/419 and Add.1-3)

(b) UNITED NATIONS DEVELOPMENT PROGRAMME (continued) (A/47/340, E/1992/28)

(c) UNITED NATIONS POPULATION FUND (continued) (A/47/312-S/24238, E/1992/28)

(d) UNITED NATIONS CHILDREN'S FUND (continued) (A/47/264, E/1992/29, E/1992/71)

(e) WORLD FOOD PROGRAMME (continued)

6. Mr. MARKS (United States of America) said that at the substantive session of the Economic and Social Council, his delegation, in commenting on the implementation of General Assembly resolution 44/211, had commended the Consultative Committee on Substantive Questions (Operational activities) (CCSQ (OPS)), had noted the emergence of a new spirit of cooperation among the members of the Administrative Committee on Coordination (ACC) and among those of the Joint Consultative Group on Policy, and had stressed the importance of implementing that resolution rather than testing new policies.

7. Although the reform process called for in General Assembly resolution 44/211 clearly could not have been completed in only three years, further progress could have been achieved. Positive intentions to strengthen the resident coordinator and country representation systems had largely been hampered by agency rivalries and competing mandates. Three years earlier, the concern of Member States at the lack of collaboration, coherence and efficiency in the programming of United Nations activities had led them to adopt General Assembly resolution 44/211. That concern currently persisted. It therefore was essential at least to identify the main causes of the obvious shortcomings so that an effort could be made to eliminate them.

8. Because of its neutrality and the range of its activities, the United Nations had a comparative advantage in many fields which, however, was not always translated into actual capability. Inadequate coordination between the agencies and a lack of technical support had undermined the effectiveness of its development assistance efforts. Accordingly, it should provide assistance essentially in those areas in which the assistance of other multilateral or bilateral donors could not prove more effective. The coordinating role of the United Nations Development Programme (UNDP), as envisaged in the consensus of 1970, had been undermined by the proliferation of funding sources for United Nations system development assistance and of its local representations. The common country strategy recently approved by ACC as a framework for the programming of assistance could prove very useful, but the approval process had taken too long. It was to be hoped that there would be more progress during the coming three years. His delegation strongly supported the concept

(Mr. Marks, United States)

of an integrated United Nations office which, under the leadership of the resident coordinator, would lower administrative expenses and ensure greater continuity and efficiency in providing multisectoral advice and technical support to Governments. Accordingly, the resident coordinator should represent all the agencies of the system.

9. Over the next few years, multilateral and bilateral donors would no doubt assign the highest priority to emergency assistance and technical assistance in addressing global problems such as environmental degradation, HIV/AIDS, and the transition to democracy and the market economy in the countries of eastern Europe. In addition, the less developed of the former Soviet bloc countries, as well as others in Africa, Asia and Latin America, would require long-term assistance in building up their legal and institutional framework and participatory mechanisms in the political and economic spheres. The United States acknowledged the need to develop national capacity, reform political institutions so as to make them more representative, carry out long-term structural adjustments to make developing economies more competitive and social services more efficient, achieve sustainable development, mitigate the effects of the HIV/AIDS pandemic on the least developed countries, and facilitate the resettlement of refugees and displaced persons. It was in the interests of donor and recipient countries alike to improve the operational activities of the United Nations at the country level. The United States looked forward to working with all interested parties to achieve the key objectives of General Assembly resolution 44/211.

10. Mr. HUSLID (Norway), speaking also on behalf of Denmark, Finland, Iceland and Sweden, said that the current global situation illustrated very clearly how closely efforts to maintain peace and security were linked to economic and social development. While the chief responsibility for development of the developing countries fell to their Governments and peoples, there was no doubt that the United Nations and the international community must also provide them with substantial aid. Multilateral cooperation with a multisectoral approach offered important comparative advantages, and in order to use it to the maximum it was necessary to strengthen the activities of the United Nations in the social and economic fields. It was essential to increase the effectiveness and efficiency of the United Nations in order to support developing countries in their efforts aimed at creating economic opportunities for their peoples, at providing basic social services and protecting the most vulnerable groups, at promoting the sound management of natural resources, and at facilitating participation of the entire community in the development process.

11. He stressed the need to improve the operational activities of the United Nations, whose efficiency had suffered as a result of fragmentation and lack of coordination. The report of the Secretary-General contained in document A/47/419 provided a very useful analysis, but did not make specific proposals. Resolution 44/211 was a good basis for embarking on a reform of development assistance activities at the field level, a reform which must

(Mr. Huslid, Norway)

tackle issues of substance and of organization. Changes in the demands of the developing countries and the interdependence of the world economy required a coherent and strong multisectoral response from the United Nations system. Resources were scarce, and must thus always be managed in the most cost-effective manner. In that regard, he laid great emphasis on the close relationship between the efficiency of activities of the development system and their funding.

12. The Nordic countries supported the efforts made to enhance cooperation at the field level between all the United Nations organizations through the formulation of a single country strategy. They supported an enhanced role for the resident coordinator, on the understanding that the ultimate responsibility for coordination of external assistance lay with national Governments. The formulation of a country strategy was contingent upon the existence of a national structure embracing all development activities. The United Nations strategy for each country should respond to specific country needs and priorities, but should also build upon internationally approved development strategies, interacting with the Bretton Woods institutions to identify areas of cooperation and complementarities. The single strategy entailed specific programming mechanisms, such as the programme approach and national execution. Use of those mechanisms would contribute to achieving greater relevance, flexibility, cost-effectiveness and impact in relation to national programmes and priorities, and would strengthen Governments' capacity to coordinate external assistance. To achieve those aims, the practical working arrangements at the field level needed to be revised, and more needed to be done to ensure a better harmonization of programming cycles, both within the United Nations system and in relation to Governments' planning cycles.

13. Decentralization was not simply a question of delegating authority. The United Nations development system needed field staff with the necessary capacity; and that in turn required a new type of guidance and advice from Headquarters and the adoption of a human resource management policy which would facilitate staff mobility and career development, while taking into account family situations, cultural differences and the special needs of women staff members. With regard to the role of the resident coordinator as the leader of the United Nations development team in the field, the qualifications required to fill that post should be more clearly spelled out. In that context he stressed the important role given to the resident coordinator in General Assembly resolution 46/182. In efforts to strengthen that role it was important to avoid bureaucracy and extra costs, and to increase the level of trust among United Nations organizations.

14. Better coordination of development activities and more efficient management of human resources were necessary tools for improving the United Nations development system, but they were not sufficient in themselves. The Nordic countries were convinced that the present governing system for the main operational funds and programmes must be reformed, by establishing an International Development Council, to provide policy guidance in a coherent

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(Mr. Huslid, Norway)

manner. In addition there was a need for smaller governing bodies, to enable the respective funds and programmes to give more focused guidance on a continuous basis. That, in brief, was the main thrust of the Nordic project, which had as its other pillar the need for sufficient and predictable financing.

15. Mr. ARELLANO (Mexico) said that his country attached great importance to operational activities for development, since they constituted the direct contribution of the United Nations to the economic and social development of Member States. Referring to the note by the Secretary-General on the triennial comprehensive policy review (A/47/419), he said that that document would facilitate the adjustment to the new challenges and opportunities resulting from the changes affecting the world as a whole. In spite of the ambitious scope of the goals of resolution 44/211, some progress had been made in its implementation. Programming, both between countries and between the organizations concerned, should be tackled with flexibility, with account taken of cultural differences among the receiving countries. The role of the resident coordinator with regard to coordination among other representatives of the system should be strengthened. With regard to decentralization, his delegation considered that the principle of subsidiarity should be applied to field operations, so as to provide more rapid and flexible responses to requesting countries.

16. He was concerned at the possibility that, with a substantial part of operational activities devoted to humanitarian and emergency work, other issues that were the underlying causes of development problems might be neglected. Further matters for concern were the fall in levels of official development assistance and the reduction in the number of projects approved.

17. Mr. BARAC (Romania) said that his country's delegation attached particular importance to operational activities for development, since they played an important role in the implementation of the mandate of the United Nations in the economic and social fields. Currently, the United Nations Development Programme was working across all sectors to assist developing countries in strengthening their national capacities for managing all phases of the development process.

18. General Assembly resolution 44/211, a landmark resolution, had set in motion a system designed to adapt the United Nations development process to the new requirements of the 1990s, and had urged Governments to assume responsibility for the execution of projects and to formulate programmes that could make optimal use of national capacities and international support. In order to facilitate that process, the resolution had also called for stronger programming, more decentralization and increased reliance on the resident coordinator system. His delegation firmly supported those measures.

19. The note of the Secretary-General (A/47/419) contained a comprehensive account of the measures implemented so far for reforming the United Nations

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(Mr. Barac, Romania)

system of operational activities for development. Romania was grateful to the Secretary-General for his recommendations, and ready to endorse them. The note showed that some specific steps had already been taken to improve cooperation in the programming of operational activities, but, the results achieved indicated that not all United Nations organizations were fully committed to the process. There were differences among them in understanding and application of operational concepts, such as programme approach and the methods of achieving decentralization.

20. For full implementation of resolution 44/211 the following measures needed to be taken: an integrated response by the United Nations system to the needs of recipient countries through the establishment of a single, coherent United Nations country strategy; further harmonization and adaptation of programming cycles of all United Nations funding agencies to the planning periods of the recipient countries; extension of national execution; the greatest possible decentralization from Headquarters to the field; a strengthening of the role of the resident coordinator; further harmonization and simplification of project formulation, evaluation and monitoring; a more assured and stable basis for the financing of operational activities; clarification of the mandates and individual roles of the United Nations organizations by the General Assembly so as to reduce duplication and overlaps; and a more efficient management of operational activities. In that connection, the delegation of Romania supported the proposal of the Nordic countries. The active involvement of both donor and recipient countries was essential to the adoption of any further arrangements to achieve the objectives referred to. Romania was ready to cooperate in formulating and adopting practical measures for strengthening and improving the efficiency of operational activities of the United Nations system.

21. With regard to cooperation between Romania and the United Nations system in the field of operational activities for development, he expressed satisfaction with the valuable support received from UNDP in the implementation of some major projects aimed at achieving a successful transition. He also wished to mention the TOKTEN programme which had shown its first results, in particular in the agricultural sector. He hoped that the new country programme, prepared in close cooperation with the resident coordinator in Bucharest, would be approved at the special session of the Governing Council of UNDP in February 1993. Romania was also interested in participating in the implementation of European regional projects. He drew attention to a round table organized recently in Bucharest by UNDP together with the Government of Romania, dealing with the transition and the difficulties encountered. In closing, he wished to express his country's appreciation for the close and fruitful cooperation that existed with various United Nations bodies and agencies participating in the execution of technical assistance projects in Romania.

22. Mr. OLISEMEKA (Nigeria) said that his delegation fully supported the analysis and the solutions presented by the representative of Pakistan. The

(Mr. Olisemeka, Nigeria)

international economic climate was still unfavourable to the developing countries, since efforts to foster growth and development continued to be frustrated by denial of market access, dwindling resource flows, absence of foreign investment and other monetary, financial and trade factors. A concerted, comprehensive, long-term global effort and economic strategy would be required to achieve sustained and balanced economic growth.

23. The activities of the United Nations had to be directed towards strengthening the national capacity of the developing countries. On the basis of its neutrality, impartiality, universality and cultural sensitivity, together with its experience in the economic and social fields, the United Nations was the organization most suited to fulfil that function.

24. He was pleased to note that a number of initiatives had been taken to decentralize the operational activities of the United Nations system and implement other aspects of resolution 44/211. For example, the UNDP Governing Council had adopted far-reaching decisions on support costs, national execution and the programme approach, which had had a significant impact on the operations of both UNDP and the United Nations Fund for Population Activities (UNFPA).

25. Nigeria considered the coordination of development assistance to be extremely important, and held the view that the ultimate responsibility for such coordination lay with Governments. Formulation of a single United Nations country strategy demanded a concentration of the coordinating functions for all United Nations operational activities for development. The resident coordinators should be experienced and qualified senior officials, appointed by the Secretary-General and preferably but not necessarily from UNDP. They would be responsible for the control and management of all United Nations development activities in a given country.

26. Nigeria identified fully with the concepts of national execution and capacity-building, both of which were inherent in national responsibility. The United Nations and, in particular its field offices, had a responsibility to assist Governments in improving their capacity for project execution, by providing technical, managerial and administrative support. To that end, United Nations specialized agencies should concentrate on their roles as "centres of excellence" and increasingly focus on the provision of technical advice and the supply of services that progressively transferred responsibility for execution to the Governments themselves. The process should be facilitated by the support-cost successor arrangements and the gradual change to a programme approach.

27. He agreed with the representative of Pakistan, who had spoken on behalf of the Group of 77, that the programme approach could be meaningful only if in addition to decentralization of authority relations between Headquarters and the field offices were rationalized. To be effective, decentralization of authority had to extend to all United Nations funding agency representatives.

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(Mr. Olisemeka, Nigeria)

Otherwise it would be impossible for them to fund, design and implement the interrelated components of a single strategy in a coherent manner. Decentralization was a mechanism for enhancing the efficiency and quality of external support to national development efforts. Field representatives should be entitled and authorized to cancel, modify and adapt development activities within the framework of approved global programme objectives. Delays in one activity could throw other interrelated activities off schedule.

28. Mr. MARUYAMA (Japan) said that the operational activities of the United Nations were potentially a promising means of achieving the economic and social goals set out in the Charter and that Member States were feeling a growing sense of urgency to fulfil that promise. The United Nations system should be able to respond better to the developmental needs of developing countries, and to that end it must solve problems such as inadequate policy formulation, poor priority setting, the lack of a coherent system for implementing development programmes and fragmentation of activities both at Headquarters and in the field.

29. Japan thought that the policy guidelines contained in General Assembly resolution 44/211 remained valid. It was to be hoped that in the next three years substantial improvements would be made. The progress already achieved since the adoption of the resolution included the agreement on the new support-cost arrangements, the programme-approach concept, and the CCSQ (OPS) guidelines. Generally speaking, however, the results had fallen short of expectations, for three reasons. The first related to the need to reorganize the intergovernmental policy-formulation mechanism in order to provide clear and coherent policies. The second was the weakness of the institutional mechanism responsible for system-wide monitoring of operational activities. The third was that the United Nations system must be strengthened at the field level, so that the organizations concerned could take a more unified and coherent approach.

30. With regard to the resident coordinator system and representation at the country level it must be borne in mind that the recipient Governments had the primary responsibility for coordinating external assistance, which should be based on their national development strategies and plans. Thorough consultation between recipient Governments and the United Nations system was obviously vital.

31. It was important to promote joint programming of the activities of the United Nations system at the country level, with a view to establishing a single United Nations country programming document. At present each United Nations agency formulated its own plan without paying attention to what other organizations were doing. Such a consolidation was advocated in General Assembly resolution 44/211, but little progress had been made to date. That had been attributed to the lack of a national programme framework, but it was not impossible to achieve unified United Nations programming without such a framework. Japan supported the move to formulate a single strategy for each

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(Mr. Maruyama, Japan)

country. Global strategies needed to be translated into a set of system-wide national strategies. Account would have to be taken of the comparative advantages of each United Nations organization and those of the United Nations with respect to other international organizations and bilateral donors. The leading-agency concept advocated in the Secretary-General's report, with a group of agencies organized around a specific task, for example poverty eradication, had merit as a first step towards joint programming, and it should be taken up as soon as possible through consultations with Governments.

32. His delegation agreed with the Secretary-General that to date the success of the resident coordinator system had depended excessively on ad hoc initiatives. The role of resident coordinators must be defined more clearly, and all the organizations concerned should make more systematic efforts in that respect. The following measures should be considered: resident coordinators should be given overall responsibility for the programming of all United Nations activities at the country level; they should be responsible on a continuous basis for follow-up, monitoring and implementation of joint programmes; they should act as catalysts for coordination with other international development organizations, for example the World Bank and bilateral donors; and they should play a leading role in providing technical support to Governments (for that purpose multidisciplinary teams could be formed under the leadership of the resident coordinators, and the analytical and research capacity of the United Nations system might be transferred to the country or regional level). Efforts should also be made to recruit as resident coordinators the best qualified persons in the United Nations development field. The use of common premises and integration of the system's field offices should be encouraged, particularly in the case of UNDP, UNFPA, UNICEF and WFP. A further important step would be to improve coordination at the headquarters level of United Nations organizations. The Administrative Committee on Coordination (ACC) and other coordination bodies, in particular the Joint Consultative Group on Policy, should play a more aggressive role.

33. Lastly, the decentralization of operational activities for development must be accompanied by measures for the clear delimitation of responsibilities, so that accountability was not watered down as functions were delegated.

34. Mr. BABA (Uganda) said that the basic idea of the triennial policy review was to assess how the work of the United Nations in the field of operational activities for development could be strengthened and made more effective and efficient. For it would thus be able to respond in an integrated way to the priority needs of the recipient countries.

35. Uganda supported the idea of a unified United Nations presence at the country level. However, the proposal by some Member States that such a presence should be headed by a United Nations ambassador presented many difficulties, including the possibility of creating parallel channels of communication between Governments and the United Nations which could become a

source of conflict. In difficult situations the ambassador might have to be called upon to deal with issues such as violations of human rights, civil unrest or electoral problems which could easily put him on a collision course with various groups and even with Governments. The proposal did not make clear the relationship of the ambassador to the resident coordinator. The creation of superfluous structures must be avoided. And what must be avoided at any cost were inter-agency squabbles, for which some difficult situations offered fertile ground, for example the AIDS pandemic, refugee problems or human rights abuses. However, such difficulties were not insurmountable and could be resolved by means of a multisectoral approach.

36. The coordination of United Nations activities at the country level must be strengthened, especially coordination between those who furnished financial resources and those who possessed the necessary expertise. His delegation would like to know what mechanisms existed for resolving in the interest of recipient countries conflicts between the goals of coordination and the attraction of resources.

37. Improved coordination required a database covering all the interrelated activities of the United Nations at the country level. It would then be possible to tell what development activities were being carried out at any time and also to solve the current problems of overlapping. Such a database could already be established with the system's present computer capacity.

38. For many countries, especially in sub-Saharan Africa, the major preoccupation was not to decide whether structural adjustment programmes should be undertaken but how to design and implement them. Equitable income distribution and poverty reduction, political stability and good governance were essential factors for the success of the reforms. Structural adjustment programmes must be home-grown from their design to their implementation and evaluation, and they must be aimed at transformation of the economy in order to achieve sustainable economic development. The problem with present adjustment programmes was that they tended to be focused on macroeconomic balance at the expense of the human resources and services which were essential to long-term change. The United Nations therefore had the important function of incorporating macroeconomic analysis in the reform efforts.

39. Mr. CHOWDHURY (Bangladesh) said that, in order to meet the development challenges of the 1990s, there was broad agreement on the need for more integrated and coordinated programming of United Nations system cooperation; harmonization of programming at country levels; a shift away from small projects to more concentrated and integrated programmes; strengthening of the role of the resident coordinator; more decentralized and strengthened capacity of the United Nations system at the country level; a country-focused approach; maximum use of national capacity; and measures to enable Governments to assume fully the execution of projects funded by the United Nations.

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(Mr. Chowdhury, Bangladesh)

40. Despite advances in programming, the resident coordinator system and inter-agency cooperation within the United Nations system, more emphasis had been placed over the past three years on analysis of problems and proposals than on taking practical measures. Nevertheless, the provisions of General Assembly resolution 44/211 remained valid, and every opportunity should be taken to give them full effect and to improve activities both in the field and at Headquarters.

41. The volume of resources allocated to operational activities remained far below the economic and social requirements of developing countries. It was a tragic and ironic situation in light of the current debate on revitalization of the United Nations system in order to meet their needs, and the hopes raised by the end of the cold war. The projected growth in voluntary contributions had not been achieved, and Bangladesh urged donors to remedy those deficiencies.

42. The introduction of a programme approach instead of a project approach would facilitate coordination, but it would require increased decentralization of activities and adequate technical capacity in the field. Furthermore, the formulation, design, appraisal and monitoring of projects and programmes must be simplified and streamlined, and attention must be focused on the need to make those programmes more responsive to national priorities and fully to involve the national authorities in their planning and execution.

43. In order to ensure the success of programmes, the team leadership role of the resident coordinator in the integration and coordination of assistance provided by the United Nations system must be strengthened. However, the operational independence of a number of specific projects should be preserved, and Governments should retain direct access to programmes, funds and expertise of the relevant United Nations organs. Consequently, the existing arrangements among those bodies in the field should be retained, as part of a general coordination mechanism for which the resident coordinator would be responsible. He could also coordinate United Nations humanitarian assistance, but without playing a political role that could undermine his neutrality. Specific measures were needed to strengthen the national capacity of developing countries and to promote national execution.

44. With regard to the decentralization required by the new framework of country-level operational activities, the decentralized structure of UNICEF should be highlighted. It had allowed the agency to provide prompt assistance to Governments, as had the UNDP decision to delegate approval authority to Resident Representatives within the existing limits, thus eliminating arbitrariness in national execution. Decentralization and delegation of authority must take place in an environment of trust between Headquarters and the field offices.

45. The plight of the least developed countries had worsened recently. Many of those countries had undertaken structural adjustment programmes and had

sought United Nations assistance in developing economic policies, meeting the basic needs of their people and alleviating poverty. Closer cooperation between the United Nations system and the Bretton Woods institutions was required in order to safeguard the interests of the most vulnerable groups and to coordinate efforts for the execution of the Programme of Action for the Least Developed Countries for the 1990s and to mobilize additional resources for development.

46. Mr. AL-FARDAN (Bahrain) said that development organizations had played a very important role in developing countries, assisting them in establishing an adequate development infrastructure. The organizations and bodies of the United Nations system had broadened their activities to encompass all aspects of human life, to guarantee decent living conditions and to achieve equality in mutual cooperation while adding a human dimension to science and technology for development.

47. Human resources development in developing countries was a basic element of the mandates and tasks of several United Nations specialized agencies. The results obtained in that area had not come up to expectations, however. Developing countries attached great importance to human development, but their efforts had been hampered by the implementation of structural adjustment programmes, limiting the growth of the social infrastructure. In that connection, the convening of a world summit for social development proposed by the Economic and Social Council would strengthen the role of the United Nations, and would establish more equitable economic relations with the developing countries.

48. The health of the population was essential to sustainable development. Although the goals set in that area for the year 2000 remained valid, all the expectations raised by the strategies employed had not been fulfilled. The United Nations should give high priority to health services. In view of the limited resources available, the efficiency of existing programmes must be increased with the support of the donor community.

49. Targets for United Nations technical cooperation in training had not been met, despite good results achieved in some countries. UNDP had played an important role in management training in Bahrain, although Bahrain had not been included under Governing Council resolution 85/16. Bahrain hoped that omission would be remedied, since, like many other developing countries, it still required UNDP assistance in field studies and training of experts and technicians if it was to increase the pace of development.

50. Bahrain urged an intensification of operational activities in order to promote development and strengthen the economic structures of developing countries, with no restrictions on the granting of assistance, and in application of the principle of universality.

51. Mr. WIBISONO (Indonesia) said that the previous triennial comprehensive policy review of operational activities of the United Nations system, in 1989, had taken place in a very different context. With the end of the cold war, the world had undergone radical transformations, had grown increasingly interdependent and, while offering great opportunities for progress, suffered from major transitional problems and disruptions. The operational activities of the United Nations system should, therefore, be more responsive to the development needs of the third world.

52. The obstacles were formidable: a persistent world recession, the yawning gap between the developed and the developing countries, pervasive poverty, the crisis facing economies in transition and the threat of growing protectionism among powerful economic blocs. There was also a lack of adequate resources. Economic and social conditions were deteriorating as a result, bringing about abject poverty, hunger and malnutrition, vast migrations and political instability.

53. Also important were the internal constraints on operational activities, such as the lack of coherence and coordination. It was no wonder that the full implementation of General Assembly resolution 44/211 had not materialized. Although the Secretary-General's report (A/47/419) confirmed the validity of that resolution's provisions, little progress had been achieved to date. The key to future success lay in strengthening national capacities and enhancing country-level performance. To meet the development needs of recipient countries, operational activities must be reoriented and decentralized, with emphasis placed on their multidisciplinary character and the perception of development as people-centred. In any event, technical assistance from the United Nations system required a substantial increase in financial resources, on a predictable and assured basis, in accordance with the principles of neutrality and objectivity and without the imposition of any conditions.

54. He noted that UNDP and UNFPA had implemented measures to decentralize and coordinate operational activities and to strengthen national capacities, steps that constituted progress in the implementation of General Assembly resolution 44/211.

55. Mr. FERNANDEZ DE COSSIO DOMINGUEZ (Cuba) said that the restructuring and improvement of the system of operational activities for development must be based on a reiteration of the principles governing the use of United Nations-administered funds: universality, neutrality, voluntariness and grant nature. The Secretary-General's report (A/47/419) indicated some progress in the implementation of General Assembly resolution 44/211, which his delegation supported and regarded as a solid basis from which to introduce the necessary reforms into the system of operational activities for development. The effectiveness of assistance projects and international cooperation depended on the existence of a strategy or wide-ranging programme of development objectives defined by the recipient country, and each country's particular economic, political, cultural and historical circumstances must be borne in mind.

(Mr. Fernandez de Cossio Dominguez, Cuba)

56. The assistance and technical cooperation provided to Cuba by the United Nations had long been delivered through a programme approach linked to the national development plan. There were some developing countries where conditions were still not ripe for such an approach, chiefly owing to the distortions inherent in underdevelopment. The measures adopted must therefore be flexible and objective. National capacities must be used to the fullest possible extent, although, as the Secretary-General noted in paragraph 147 of his report, national execution should not lead to a loss of the technical role of the specialized agencies, whose support was essential to operational activities. Responsibility for coordinating United Nations assistance activities lay chiefly with the recipient countries, although, if the local authorities were not fully able to do so, the country's resident coordinators would need to assume a more active role. In that connection, Cuba favoured maintaining the functions of the representatives of individual agencies.

57. With regard to decentralization, he drew attention to Cuba's positive experience since the setting out of the basic principles consolidating the system of operational activities for development in 1970. The delegation of authority would help promote the desired programme approach. Adequate resources were essential for the reform and restructuring of operational activities for development. Accordingly, the contributions of the major donor countries, which had pledged to allocate 0.7 per cent of their GNP to official development assistance, must be increased. Any serious effort by the United Nations in the area of its operational activities for development should first tackle the problem of the outflow of resources from developing countries resulting from their external indebtedness and the unfair international trading system .

58. Mr. NGUYEN MING THONG (Viet Nam) said that the triennial review of the key policy aspects of operational activities for development could not be more timely, given the changes in the world situation which necessitated the adaption and improvement of those activities. Unfortunately, the reforms undertaken by many developing countries were being frustrated by numerous problems. For many millions of people, hunger, malnutrition, disease, backwardness and unemployment remained the order of the day.

59. Yet there were encouraging signs of international cooperation, and the interdependence among nations in achieving peace, security and sustainable development was increasingly being recognized. That was why operational activities for development were important. In his delegation's view, General Assembly resolution 44/211, one of the landmarks in the history of the Organization's operational activities, remained valid. The strength and comparative advantage of those activities stemmed from the fact that they were apolitical, impartial, unconditional and capable of responding flexibly to the varying needs, priorities and circumstances of developing countries. Unfortunately, the resources that had been made available for United Nations operational activities for development were far from adequate. That situation

(Mr. Nguyen Ming Thong, Viet Nam)

must be addressed so that the revitalization and strengthening of those activities could continue.

60. Among the positive steps taken to enhance the efficiency and effectiveness of United Nations operational activities were the acceleration of national execution, national capacity-building, training, the simplification of procedures, the harmonization of programming cycles, increasing administrative flexibility, delegating authority to the field level and the application of a programme approach. In dealing with the crucial task of improving the coordination of activities at the field level, the comparative advantage enjoyed by some agencies in their efficient cooperation with Governments must be taken into account.

61. The Government and people of Viet Nam placed great importance on their relations of cooperation with United Nations agencies and were grateful for the valuable assistance they had received from them. Assistance from UNDP had focused on support for the economic reform process, sustaining and strengthening economic performance, encouraging key areas of human development and promoting environmentally sustainable growth and human settlements development. WFP had provided emergency food aid and implemented food-for-work projects. UNICEF had made tremendous contributions in the form of low-cost projects dealing with oral rehydration therapy, water supply and sanitation, universal basic education, nutrition and food security as well as maternal and child primary health care. UNFPA had provided much-needed assistance for population and family planning programmes which had resulted in a significant reduction in the country's population growth rate. Viet Nam strongly supported the preparations for the United Nations Conference on Population and Development to be held in 1994.

62. Mrs. AMERASEKARE (Sri Lanka) expressed her delegation's appreciation for measures taken by United Nations bodies and agencies, particularly the Consultative Committee on Substantive Questions (Operational Activities) (CCSQ (OPS)), the Joint Consultative Group on Policy and UNDP, to implement General Assembly resolution 44/211. However, much remained to be accomplished. Among the resolution's objectives were the achievement of greater coordination of United Nations assistance at the field level, the adoption of a programme approach and national execution of projects. The measures already taken in that connection constituted only the beginning of a process which required three vital elements in order to gather momentum: (1) a greater awareness of the benefits of using UNDP resident representatives for in-country coordination of United Nations assistance without prejudice to the coordinating work of local authorities - the usefulness of that system had been clearly demonstrated during emergencies requiring humanitarian assistance; (2) a spirit of cooperation among field representatives of the United Nations system backed by clear instructions from their respective headquarters so that everything would not depend entirely on the resident coordinators; in the absence of such cooperation other measures, such as common premises, might not have the desired effect; and (3) the capacity of

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developing countries to adopt the programme approach and assume responsibility for project management; to that end, training programmes would have to be organized for local officials. The process of decentralization would enhance the ability of the United Nations field representatives to respond to the needs of the recipient countries; however, considerations of accountability must not inhibit the delegation of authority.

63. Mrs. HEPTULLAH (India) said that the operational activities for development of the United Nations system were of particular relevance to the developing countries because they epitomized the essence of multilateral cooperation based on the principles of universality, neutrality and partnership, and their ultimate objective was the achievement of individual and collective self-reliance through endogenous capacity building. Such activities had provided support to developing countries in their development efforts and, owing to their multiplier effect, had enabled those countries to use their human, physical and financial resources more efficiently and to strengthen their institutions. The triennial review of operational activities would make it possible to further strengthen their scope and implementation, in accordance with the national development objectives and policy priorities of developing countries, and would help in detecting their shortcomings in order to remedy them and maximize the benefits of those activities, despite the modest resources available. India attached high priority to the operational activities of the United Nations system and, despite its severe resource constraints, was one of the most active participants, as both donor and recipient, in the system's funds and programmes. India's contributions to UNDP, UNICEF and UNFPA were among the highest from developing countries.

64. The recognition by General Assembly resolutions 44/211 and 46/279 of the responsibility of national Governments for formulating national development plans was a clear reaffirmation of the intrinsic and sovereign right of each recipient country to determine its own development priorities in keeping with its needs and capacity. Both resolutions stressed the importance of national execution of programmes and projects funded by the United Nations system in order to integrate the assistance received into the national development framework smoothly.

65. Her delegation generally agreed with the idea of improving coordination between the various United Nations activities, provided that the principles of universality, neutrality and partnership were not sacrificed. Coordination, therefore, must be an exercise aimed at achieving a better integration of the various agencies' programmes and projects with national development strategies and to improve the relationship between national Governments and the various funding and executing agencies while maintaining the independence of those agencies in order to make optimum use of their expertise and knowledge. Her delegation also agreed with the Secretary-General's observations in document A/47/419 that coordination between United Nations agencies and Governments must be improved, programming cycles must be prepared in accordance with national structures, needs and priorities, and the apolitical role of operational activities must be maintained.

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(Mrs. Heptullah, India)

66. The United Nations had two primary functions, maintaining international peace and security and promoting the development of developing countries. In carrying out the second function, multilateral cooperation was an essential factor, and operational activities constituted a singularly beneficial mechanism. The triennial review provided an opportunity for strengthening national capacities in order to achieve prosperity and growth in the developing world.

The meeting rose at 6.25 p.m.